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ANTICIPATED ECONOMIC EFFECTS OF THE SURFACE TRANSPORTATION ASSISTANCE ACT OF 1982

HEARINGS

BEFORE THE

SUBCOMMITTEE ON TRANSPORTATION

OF THE

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS

UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

FIRST SESSION

AUGUST 22, 1983—BOISE, IDAHO
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ANTICIPATED ECONOMIC EFFECTS OF THE SURFACE TRANSPORTATION ASSISTANCE ACT OF 1982

MONDAY, AUGUST 22, 1983

U.S. SENATE,
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS,
SUBCOMMITTEE ON TRANSPORTATION,
Boise, Idaho.

The subcommittee met at 10 a.m., in the Holiday Inn, Boise, Idaho, Hon. Steve Symms (chairman of the subcommittee) presiding.

OPENING STATEMENT OF HON. STEVE SYMMS, U.S. SENATOR FROM THE STATE OF IDAHO

Senator SYMMS. Good morning. We are delighted to call the Transportation Subcommittee to order this morning, and welcome all of you that have traveled far to come to Boise. I know that we have witnesses that have come from as far as New Hampshire this morning.

So I think when John Clements testifies, he will win the award for coming the furthest to testify, but we are delighted to have all of the witnesses that are here.

This is my idea of where Senate hearings should be held. We will be in Coeur d'Alene tomorrow. I think, it's a good idea to have Senate hearings outside of Washington, D.C., so we can get a different perspective.

I look forward to hearing from all of the witnesses, and compiling a record that will be helpful to us as we have to make whatever changes may be deemed necessary by the Congress with the application of the Surface Transportation Assistance Act.

It is a pleasure to be here today in Boise and I am looking forward to hearing from all of our witnesses.

Last December the Congress passed the Surface Transportation Assistance Act of 1982. That legislation was the culmination of over 2 years of hearings by the Subcommittee on Transportation on this country's rapidly decaying road and bridge system. Many of you use the road system throughout Idaho and the country and have firsthand knowledge of the unsafe condition of that system. It is decreasing your productivity, increasing your costs and, in many cases, it is a threat to your and other's safety.

Construction costs increased dramatically during the last several years while the deterioration of highways and bridges was accelerating. A consensus of opinion was reached that all levels of government—Federal, State, and local—would have to increase the amount of money dedicated to highway rehabilitation. At the Federal level, there has been a longstanding belief that the principle of highway user fees—those that use the highways pay for their construction and rehabilitation—has worked well in providing the best surface transportation network in the world. Congress remains committed to this philosophy of highway users financing the highway system.

If the Federal Government was to meet its escalating responsibilities, more money was obviously needed. And that meant additional revenues had to be raised because the point had been reached where more money was going out of the highway trust fund than was going in. Highway user fees had to be increased.

Because I do not believe this country can afford to lose the investment it has made in our highway system, I worked very hard for the passage of the Surface Transportation Assistance Act of 1982 and the nickel-a-gallon gas tax increase. I firmly believe we cannot have a sustained or healthy economy without a first-class surface transportation system.

In the final days of the 97th Congress, I often disagreed with various provisions of the bill as it was debated. However, compromise was necessary in order to make sure the basic program was maintained. Without compromise, passage of the act would not have occurred and our roads in Idaho and across this Nation would have continued to deteriorate at an ever-increasing rate.

I am not convinced that the user fee increases enacted into law are in every case in the best interest of the country and its vital industries. I think it is extremely important to continue to provide public forums and other opportunities for those individuals and groups impacted by the STAA to explain to Congress what effect this legislation, both positive and negative, will have on their ability to maintain a healthy industry.

The subcommittee has asked witnesses to address the following issues:

One, the impact of the tax structure implemented by the STAA on the trucking industry;

Two, productivity gains experienced by the trucking industry as a result of the increased truck size and weight provisions in the STAA;

Three, legislative proposals introduced by Members of the House and Senate which would alter the tax structure in the STAA;

Four, the effect of increased truck sizes and weights on the condition of roads and bridges and to what extent reasonable access should be permitted; and

Five, the Department of Transportation's preliminary report on alternative tax structures.

I appreciate all of you coming here today. I am here to listen to your concerns and am eager to hear your testimony.

We will start off with our first witness who comes from the Federal Highway Administration in Washington, D.C. Mr. Lester Lamm, the Deputy Director, who has worked with us with respect to problems that we have had in the State of Idaho; we'd like him to know that we appreciate his help.

Les, we welcome you to our great State, and look forward to your testimony. So please commence.

STATEMENT OF LESTER P. LAMM, DEPUTY FEDERAL HIGHWAY ADMINISTRATOR, FEDERAL HIGHWAY ADMINISTRATION

Mr. LAMM. Thank you, Chairman Symms. I would agree with your statement that this is on the surface a much more pleasant location for Senate hearings than our normal venue.

Let me say I am quite pleased this morning to be here to discuss the provisions of the Surface Transportation Assistance Act, particularly those which deal with truck taxes and size and weight standards for commercial motor vehicles.

I do have a written statement to submit for the record, which I will briefly summarize now.

Before discussing the trucking related provisions of the Surface Transportation Assistance Act, which as you mentioned, Senator, is the specific focus of this field hearing, I believe it would be timely to discuss progress which has been made to date as far as State Highway and Transportation Department use of the additional Federal-aid funds which provided in the legislation.

Again, as you mentioned, the highway system deterioration and our overall need for additional revenue was the principal problem which Congress and the Administration set out to correct last year.

I am very pleased to report to you, Senator Symms, that the States will use every dolar of the additional funds which were made available for fiscal 1983, despite some predictions to the contrary at the time the Surface Transportation Assistance Act was being debated.

Senator SYMMS. How many extra dollars was that?

Mr. LAMM. The program level nationally went from $8.1 billion in 1982 to $12.35 billion in 1983.

When you add in the exempted programs, you get the program level close to $12.7 billion, all of that will be used.

As of this morning, total obligations to date have been $10.4 billion.

Last week in accordance with one of the other provisions of the legislation, we redistributed obligation authority that some States indicated that they were not able to use. When we polled the several States, we found that only four States would not be able to use the full obligation authority which we made available in January 1983. That resulted in a sum of about $207 million being made available for redistribution from those four States.

Thirty-seven other States indicated that they could use in addition to their 1983 shares, they could use additional obligation authority. And when we tabulated the total of those projects, which were ready to go between now and September 30, 1983, we found that had there been enough available, we could have redistributed as much as $1.4 billion of additional obligation authority.

So, in other words, we had slightly more than $207 million available for redistribution, and 1.4 billion dollars' worth of candidate projects.

We made the redistribution in accordance with the three equity factors which Congress provided in section 104(d)(2) of the legislation. We used no administrative discretion at all. We just, in effect, set up a formula with three factors, and determined the amount each State would get as a result of that formula.

As you would expect, given the magnitude of the request from the States, all States got less than they could have used. Idaho, for example, indicated that they could have used $23.4 million additional for the remainder of the year. Their share of the formula distribution was $2.2 million.

Even though there wasn't enough funding to go around, though, Chairman Symms, this really is the most significant happening, in my estimation, in the 7½ months since President Reagan signed the Surface Transportation Assistance Act. The fact that the States are ready to use the funds and are using it now.

We are using more than 50 percent more Federal-aid highway funds this year than last year. Very difficult for any program to step up to that magnitude within that short period of time.

Right now, as any of us travel around the country, I have seen, I am sure you have, too, an unprecedented amount of construction and rehabilitation work going on all over the country. Nearly 90,000 more people are employed in highway construction work this summer than was true at the same time last year.

The American people are already profiting from the passage of the bill as we all knew was due in large part to the subcommittee, which you chair. In fact, looking at the bill from the standpoint of the trucking community, the fact that the highway improvement program is proceeding so much better and so much more rapidly, they yet turn out to be the most significant productivity benefit for the trucking industry as a whole as time passes.

Turning to the trucking related provisions of the bill, and I will summarize very briefly what is in my opening statement referring to your five questions, Mr. Chairman, your first question on impact of the tax structure: While the Surface Transportation Assistance Act bills have a substantial increase in the use tax for heaviest vehicles, these provisions still do not have a drastic affect on motor carrier operating costs.

For the very heaviest trucks, the increase amount to to about 2 percent of operating cost nationally. This increase is less the lighter combination vehicles.

In the case of the lighter single unit trucks, there isn't even any increase. Taxes are actually reduced in the rates which people were paying previously.

The taxes are intended to be phased in with no increase in the heavy vehicle use tax until July 1, 1984.

Also, the trucking industry will as a result of permitting doubles and larger trailers on more highways have increases in productivity in cost savings which will to some extent, we believe, offset the increase of the tax.

Turning to your question No. 2 on productivity. We would expect substantial cost savings to result from truck size and weight provisions of the STAA. At the time the bill was being debated last year, the Department of Transportation had an estimate of a range of between $4 billion and $4.9 billion per year of productivity savings. We expect most of these savings eventually to be passed on to consumers, because of the competitive nature of the trucking industry.

Turning to another question which you had on pavement and bridge damage: Because of the increased weight on the highways and because of the particular characteristics of weight carried by the tandem trailers, there will be some additional pavement and bridge damage; we would estimate somewhere in the range of $500 million per year annually.

This damage is not, however, significant, when compared to the productivity gains I mentioned previously, and it is well within the added Federal-aid funding levels which were also provided for in the bill itself.

You asked about the alternative tax structures. As we all know, there have been many bills introduced in Congress that would modify the heavy vehicle use tax. Some of the proposed alternatives would reduce trust fund revenues by anywhere from two-tenths of 1 percent to 6 percent in 1985.

This would be, from our point of view, one reason to avoid supporting that particular legislative proposal. There are two characteristics of the legislation that we would want to pay particular attention to out of the Department of Transportation.

One would be, we would not want a change in the revenue structure that would reduce the revenues of the trust fund so that we would not be able to finance the programs which Congress had authorized for 1985.

The second is we would not want the modified revenue structure that would have an adverse impact on the equity question of the fact that in our position the portion of the highway users that cause the damage to the pavement ought to be responsible for paying for the correcting of that damage.

The Federal Highway Administration, as you know, is examining alternatives in a study which was mandated by the Surface Transportation Assistance Act. The study was to have been completed in January 1985. We have already told Congress that we would plan to have that ready in January 1984, 1 year in advance of the deadline.

In fact, the Department of Transportation portion of the study has been released very recently as a working paper with preliminary conclusions. Tying right into the nature of your hearings today and tomorrow, they would be very timely, because the intent of the working paper is to have an opportunity for the trucking industry and anyone else concerned with highway user fees to comment on specifics rather than on generalities.

We are keeping a docket open on this preliminary report until at least September 30, 1983, give at least 2 more months for comments to be put in.

In addition to your hearings here, we will hold hearings under the auspices of the National Motor Carrier Advisory Committee on August 30 in San Francisco, and on September 14 in Washington, D.C.; again, for the interest of obtaining comments on the proposed changes.

The Surface Transportation Assistance Act requires the States to provide reasonable access to the interstate system, doubles and large trailers. Although the systems, including portions of the Federal-aid primary system, it is fairly close to being tied down. The issue of reasonable access has not been regulated as yet by the Department of Transportation.

We are presently working with the States to define reasonable access. We expect to have a regulatory document out in the Federal Register sometime within the next few weeks to cover the issue of reasonable access.

Chairman Symms, this completes my oral statement. My intent here is to stay for all of the hearings today and tomorrow.

None of us, including ourselves at DOT, have all the answers in this complicated area of highway finance, and I personally look forward to whatever comments and suggestions your constituents will have in the next few days.

Senator SYMMS. Thank you very much, Les, for your statement and for being here.

I would make a point that I didn't make at the beginning, that all of the witnesses' entire statements will be made a part of the record so if you can summarize, it would be appreciated.

I take it from what you said then, that the administration is not going to support any change in the highway user fee structure before your final report is completed in January 1983 or 1984?

Mr. LAMM. I didn't refer to that in the oral statement, Chairman Symms, but the detailed statement mentions that we would definitely consider working with Congress in the early months of the 1984 congressional session after the report is in, and after we have had a chance to hear what comments come in from around the country.

Senator SYMMS. From your two hearings and others, and allowing for comments to be made to the Register?

Mr. LAMM. Right.

Senator SYMMS. A lot of figures have been quoted regarding the net revenues to the trust fund under the bills that have been introduced. I suppose that's one of the areas that you will be looking into. I know that I am certainly going to be looking into that to try to estimate what the revenue assumptions are based upon.

It will be interesting in these hearings, as well as your own hearings, to find out how much changing will be suggested by operators now under the present structure, and how much our assumptions may be off on what the revenues will be. We may not get the revenues generated from the present law that many anticipate just because of operators actually putting all the miles on one truck, or parking one truck and not relicensing it, or what have you. Do you have any indication on how that may go?

Mr. LAMM. That's a very good comment, and I don't think any of us have a real indication ot how valid the assumptions are that we have made. This is something that we will certainly be able to respond to the committee when we start the hearings later this year or early in 1984.

I should mention, though, that nationally, I am interested as I mentioned in the situation here in Idaho and the upper Northwest, but nationally, it looks as if the trucking industry is on a pretty fair rebound.

So a lot of perhaps the pessimistic comments of some of the trucking related interests at the time of the STAA may, in fact, not be coming about.

Senator SYMMS. Well, I hope that that is correct. I hope what we really need is more business for the trucks as much as anything.

Mr. LAMM. Absolutely.

Senator SYMMS. There are an awful lot of trucks sitting around in the yards that are still idle, that have to be put to work to catch up with where we are. There is a lot of unused capacity out there.

But with respect to that, and access on the interstate of the double trailers, do you think there are interstate segments where it would be unsafe to allow the operation of doubles?

Mr. LAMM. What we have done in the regulations, Chairman Symms, is we have allowed States to continue whatever restrictions were in effect prior to the STAA. There were some portions of the Interstate System like I-66 between Virginia and the District of Columbia as an example, which had restrictions prior to passage of the STAA, those restrictions would continue.

There were other comments frequently coming in from some of the older Northern cities that would indicate that there was a concern that large segments of the older interstate routes in those parts of the country would not be suitable for the larger vehicles.

In working with those cities and States, though, we have fallen short of allowing anybody, we don't feel the legislation would permit us to allow anyone to completely ban the trucks, even the larger trucks from the Interstate System.

What we have worked on is for people to set up restrictions by hour of the day, perhaps, or season of the year if someone is concerned about performance on snow and ice, and so forth. We feel that we have the ability to work these things out with cities and States without requiring any legislative changes.

Senator SYMMS. If the Congress would choose to go to a diesel differential as a means to raise revenue with the reduction of the user fee, heavy-use truck tax, would you anticipate any collection problems with that?

Mr. LAMM. Not that I am aware of, Senator, because there are a few States right now which have diesel differentials. In effect, they have heavier taxes on diesel fuel than they do on per gallon of gasoline. It would appear to be feasible.

I ought to mention, though, that Congress has requested the Treasury Department to respond on the issue of administrative feasibility and likelihood of avoidance of taxes, and so forth, so I would defer to the Treasury Department portion of the report on that issue.

Senator SYMMS. Just one last question, and we will go on with some of the other witnesses. Have you become aware of a problem that exists where some of the Canadian trucks are held liable for the user tax and some are not? Is this a serious problem?

Mr. LAMM. We have had an indication that that may be quite a serious problem, particularly in the Northern border States of the United States.

In responding to other congressional inquiries, we have agreed in DOT to work with the Internal Revenue Service to try to sort this out, but it is basically an IRS problem, not one that was created by or solvable by the Transportation Department.

Senator SYMMS. Thank you very much. I appreciate your being here and your testimony, and we look forward to letting you see firsthand some of the problems that you have been very helpful in solving in the State of Idaho, we appreciate it very much. We hope to be able to show you some of these problems areas, like Horseshoe Bend, and others, before the day is over. So thank you very much, and we wish you a good pleasant stay here in our great State.

Mr. **Lamm**. Thank you.

Senator **Symms**. Thank you, Les.

I might just say for the benefit of those here in the audience that when Ray Barnhart was appointed by President Reagan to become the Administrator of the Federal Highway Administration, the No. 2 post was one that he could have filled with another political appointment.

But he, I think, very wisely made it very clear that he wanted the professional experience that Les Lamm offered the country from his many years in the Federal highway business, so Ray Barnhart insisted and got his way with the Administration that he name someone from the Federal Highway Administration, Les Lamm, to be his Deputy Administrator, and I think it was a very wise choice, and Les has certainly done a very good job, for the country, and I think his testimony speaks to that.

The fact is that when we did pass the bill, that it was only a matter of hours after the President signed the Surface Transportation Assistance Act that Les was sending checks out to the States.

With that, I guess it would be appropriate that we call our own director and chief executive officer of the Idaho Department of Transportation, Darrell Manning, along with John Clements, who is the immediate past president of the American Association of State Highway and Transportation Officials, AASHTO.

We welcome both of you here, and please go right ahead, Darrell.

Mr. **Manning**. Thank you, Mr. Chairman.

Senator **Symms**. I might say, that in my capacity as chairman of the subcommittee, we have had very good relations and we appreciate that very much.

Mr. **Manning**. Thank you, sir. Mr. Chairman, we have with us in addition to John Clements, who is past president of AASHTO, Bill Druhan from the AASHTO staff in Washington, and we would like to have him sit with us.

Senator **Symms**. That would be fine.

STATEMENT OF DARRELL V. MANNING, DIRECTOR, IDAHO TRANSPORTATION DEPARTMENT

Mr. **Manning**. Speaking on behalf of the Idaho Transportation Department and board of the Idaho Transportation Department, and the Governor of the State, we are pleased that you are holding the hearing in Boise, and honored to present our views on the transportation issues you have identified.

When I last appeared before you, my department, and most other departments of the States are facing a double dilemma; our transportation systems were rapidly deteriorating, and our Federal assistance was in jeopardy of being depleted. Through your sustained efforts in Congress, we are once again on the track.

At a critical juncture in the history of this Nation's transportation systems, you applied statesmanlike leadership in subordinating personal and public dislike of tax increases to protect and preserve the huge investment that has been made in the transportation systems over the past 30 years. We sincerely appreciate that effort.

We also appreciate the opportunity to contribute to the fine tuning of the Surface Transportation Assistance Act of 1982, and offer comments that I would like summarize to the written testimony.

The first item we would like to discuss is issue No. 3. We advocate no changes at the present time. We believe, as do most States, that the act should be allowed to operate, as written, for a reasonable period of time before major alterations are considered, such as changes in the tax base. We welcome minor technical amendments that will clarify the intent of Congress.

If Congress intends to make changes in the tax structure, then we recommend that it be made an improvement as well as a change.

Within the last 5 years, the Federal Government and at least seven States have engaged in research to determine both the causes and costs of highway use. Without exception, these studies concluded that the primary causes of highway deterioration are weight carried by each axle in combination with the number of repetitions over a given segment of highway.

In other words, the primary determinants are the axle weight and distance traveled. Incorporating these variables into a tax formula would greatly enhance its equitability.

Although the current proposals to shift from graduated fees on trucks to a diesel tax would greatly ease the impact of the tax burden by allowing the heavy truck operator to pay as he drives, the long-range effect would be less equitable than the present system. Fuel consumption, while increasing with vehicle size and weight, does not increase proportionately.

The diesel fuel tax penalizes the trucks with light loads, and subsidizes the trucks with heavy loads.

Distinguishing taxable motor fuel from nontaxable motor fuel is also a possible problem unless the nontaxable fuel is dyed or some other control is employed. Without some method of distinguishing taxable from nontaxable diesel, tax avoidance could be widespread.

A national weight/distance tax, administered by the States with costs reimbursed by the Federal Government, has the potential of eliminating the inequities of current and proposed tax structures.

We also believe that Congress should give serious consideration to option 9 contained in the July Federal Highway Administration Working Paper entitled, "Alternatives to Tax Use of Heavy Trucks."

The use of a registered axle weight distance tax, rather than gross weight, could provide an incentive to spread gross load over more axles, by reducing the tax per mile for configurations which use tandem axles.

Spreading the load over more axles reduces wear on the highway and justifies a like reduction in cost responsibility or tax for a trucker.

On issue No. 4, the effect of increased truck sizes and weights. The width of the trailers going from 102 inches did not adversely affect Idaho. We have allowed extra width on our highways since 1975. We have, however, reached the width limit that we can safely accommodate on many of our existing highways.

Truck length is an item where safety is our first concern. In accommodating the 48-foot trailers, we have no objection to 48-foot trailers, per se. Some of our routes in Idaho have been designated longer than that in the past. We do, however, have a severe problem in areas where the curvature will not allow those trucks to operate safely without going and intruding into the on-coming lane.

The effort to open additional routes to truckers could take the form of litigation in which the State and Federal Governments may be held liable for knowingly inviting truckers to violate their own laws against crossing centerlines. We would not like to see that happen.

For that reason, each State should be allowed a more active role in determining which routes can currently accommodate the long trailers without being a hazard to on-coming traffic.

If it is the intent of Congress to open routes to longer trucks which were designed for automobiles and shorter trucks, then additional funds will be needed to bring these routes up to a higher standard within a reasonable period, and perhaps a separate program should be designed for that purpose.

The weight issue, Idaho has permitted the truck weights specified under the STAA for several years. Over the last several years, however, we have experienced a more rapid deterioration than can be explained only by contributing of variables other than increased weights and weight repetitions.

The highways that were designed for 20 years are showing signs of wear at 10 years, and they are worn out at 15 years. Our efforts should be directed toward providing for reduced axle weights and providing for more axles.

As allowable weights were increased over the past 30 years, our design standards were also upgraded, but we have reached the point where most of our highway systems are now in place. Constructing new highways to even higher standards or retrofitting existing highways to accommodate increasingly heavier loads will cost significantly more than our current revenues will provide.

At some point, we must establish a balance between the physical capabilities of the highways and the size of vehicles that operate on them. We must stop the escalation of these transportation costs.

On issue 5, Mr. Chairman, we commend the Federal Highway Administration and their work on this study. The closing paragraph of their report indicates that the administrative, enforcement, and compliance considerations will be addressed by the Treasury Department and will be included in their final report submitted to Congress by January 1984.

We urge Congress to defer evaluation and judgment on this issue until all elements of the study they have requested have been incorporated.

In summary, Mr. Chairman, Idaho tentatively endorses option 9 contained in the working paper on alternatives to tax use of heavy trucks.

We believe that implementing an equitable weight-distance tax on the heavier trucks at a dollar level which more closely reflects the costs of highway needs may permit the elimination of some surrogate taxes, thereby simplifying the tax structure. Decisions on changing the tax structure should await the final results of this study and other administrative cost studies are made.

This concludes my testimony, Mr. Chairman. You have the written testimony for publication at your desk.

Senator SYMMS. Thank you very much for a very well prepared and to the point statement, Darrell. I appreciate that very much.

I may have a couple of questions, but first I want to allow John Clements to testify.

John has testified before this committee many times in the past 2½ years, and I am delighted to see him come all the way out from New Hampshire today to be with us. I know New Hampshire is a beautiful State, John, and you have come a long way; we would like to have you stay with us for a couple of days.

Mr. CLEMENTS. I wish I could.

Senator SYMMS. To see the Sawtooths, McCall, and a few other places.

Mr. CLEMENTS. I really wish I could.

Senator SYMMS. In fact, we could drive you up 95 to Coeur d'Arlene to the hearings tomorrow, and you could see quite a bit of the State. I just drove down Highway 95 on Friday, and I think it's good for all of us in office to drive around our States on the highways and see what is going on. I certainly enjoyed it.

There were parts of it that I could see the highway department is working hard to improve, but there's sure a lot of room for a lot of work on that stretch of the road, but it does tie the State from north to south, and it's a beautiful drive.

Welcome to Idaho, John, and we look forward to hearing from you.

Mr. CLEMENTS. Thank you, Senator.

STATEMENT OF JOHN A. CLEMENTS, COMMISSIONER AND CHIEF ADMINISTRATIVE OFFICER, NEW HAMPSHIRE DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS

Mr. CLEMENTS. Mr. Chairman, I have often said to Darrell Manning that when I first joined AASHTO, and when I became chief administrative officer of New Hampshire Department of Public Works and Highways, that as I looked through the various tables of allocations, I think Idaho and New Hampshire had a great deal in common. Our populations aren't that much different, and we have the same kind of environmental exposure, and we have the rural populations, so it is a pleasure for me to be here.

Joining us at the table, I might mention at this point, is Scott Coulter from the Oregon department, the chief executive officer of that agency.

Bob Hunter, unfortunately, as shown in the hearing schedule, is not going to be here with us today, as you know, from Missouri.

But for the record, Mr. Chairman, here today, we have a statement which we would like to make a part of the record, and exhibits attached to it.

But for the benefit of the record and those here, AASHTO was founded in 1914, and it represents the departments concerned with highways and transportation throughout the country, the 50 States, as well as Puerto Rico and the District of Columbia, and has worked since that time to foster the development, operation, and maintenance of an integrated national transportation system. The representatives on our board are the chief administrative and executive officers of the 50 States.

I would like to just skim my statement briefly, Mr. Chairman, and highlight what we think are your concerns and the concerns of us all on the committee.

I don't want to let this time go by without extending to you in your own home territory the sincere appreciation of all the States of the country for your efforts in the lame duck session, and the 2 years preceding that in the development of this landmark legislation.

I hope that the people here in your home district realize the amount of work that went into this legislation, and the sincere debt of gratitude we all have for the part you played.

In the final hours of the legislation, I was sitting in the gallery a number of different times, and I know that that wasn't a very pleasant time for anyone wanting to get back for Christmas recess.

You mentioned the fact that there is some winners and losers in this legislation, and all good legislation is probably the spirit of compromise. I see on the agenda here today that there are a number of peole from the trucking industry that have legitimate and vital concerns about the equity issue, and we are pleased to be able to address those today.

It reminds me of a story that is going around about sort of damned if you do and damned if you don't about the old man and the youngster that wanted to take a trip from town out to the mountains on a donkey, and they couldn't decide which one should ride the donkey.

So the old man man said to the young boy, why don't you ride and I will lead.

They started out of town, and they passed a little group of people, and they were heard to say, isn't that terrible, that young boy is strong and virile, and he should be walking. That poor old man is leading the donkey along ahead. It's just a terrible thing.

So they got out of sight, earshot, and they switched places.

Came upon another group of little people that saw the old man riding, and the young boy leading, and said what an awful thing, that poor young boy is out here in the hot sun while that big strapping man is riding his donkey, and we just don't know what the world is coming to.

So, when they got out of earshot of that group, they both got on the donkey, and rode to a brook. The stream was fairly dry, but muddy, and the donkey promptly sank right up to its stomach in the mud.

They were sitting there wondering what to do when a cloudburst came down, and a tremendous torrent came down the gorge, and filled the whole valley with water, and they scrambled to safety, and the donkey drowned.

The moral of that story for all of us that have tough decisions to make, Senator, is sometimes when you try to be all things to all people, you lose your ass.

It was times like that when we entered this legislation when it's extremely difficult to be all things to all people, but as previous speakers have said, both Les Lamm and Darrell Manning, we think it is a landmark piece of legislation.

Those that have difficulty with it, not only the States, but the trucking industry, all agree that there's great need in the highway system for something to be done, and something is going on, and it's a pleasure to be here.

One of the concerns that we have about the legislation, as you know, most of the States have gone through a considerable degree of reprograming this year. A lot have moved out to raise their own funds. We have appeared before our legislators and governors, and we support what Mr. Lamm said earlier that we think now is the time for stability in the program, and that we would be very concerned about any additional changes to the program without a great deal of thought being given to it.

Some States have had a great difficulty with their governors and legislators in raising additional funds over the multiyear situation. As you know, that was expressed during the congressional hearings that were held. Some States said that if the Feds raised the tax issue, that perhaps would preempt the States doing it.

We are happy to say, however, that 17 States in the interim since this act was passed have increased their resources, their fuel taxes. Another seven States now have actions underway.

I think when we spoke last year at this time before the committee, I think we said at that particular time, some 37 States have increased their local resources. I guess we are happy to say that those fears that some States have about being able to raise a match really now appear to be unfounded. If anything, I think what a lot of us expected is we were able to use the Federal action as an incentive for the States to come up with their share.

Senator SYMMS. What's the average fuel users fee per gallon of gasoline?

Mr. CLEMENTS. Oh, I would guess maybe, at this point, 11 cents, something like that, 10 or 11 cents. We were high in New Hampshire 3 years ago with 14, but I notice a number of States around us have gone to that.

Some States have sales taxes that are on top of that, an excise tax on top of a fuel tax.

Others have financed their highway fund from the general fund, and the fuel taxes don't relate to it, for example. Texas has been quite low in fuel taxes, although they have a very large highway program.

But I think it's important to point out, it hasn't been mentioned here today, while we talk about a $13 billion Federal-aid program, of course, that's matched roughly on the basis of 80–20, so the States are coming up with an additional 20 percent, so the program nationally is 20 percent bigger on top of that.

Senator SYMMS. What is our tax now in Idaho, Darrell?

Mr. MANNING. Fourteen and a half cents.

Senator SYMMS. Fourteen and a half cents. Scott, what is it in Oregon?

Mr. **Coulter.** It's 8 cents in Oregon. We passed legislation that we think it will go up to 10 cents over the next year and a half, and depending on the success of the voters or some voters to bring that back through a petition to vote on it, which would be in the next general election in November 1984.

Washington is headed for 16 cents. I don't know if it is there.

Senator **Symms.** I might just note for the record that the chairman of the Transportation Committee of the Idaho House, John Sessions, is here with us today, and we are delighted to have him sit in on the hearings. If he would like to, he would certainly be welcome to participate, also. I see him in the back of the room.

I think he is content to listen today from what he told me earlier, but I know he has played a major role in working with the State DOT, and bringing about Idaho's ability to match Federal dollars.

Mr. **Clements.** We, Mr. Chairman, as Les Lamm mentioned earlier, the States were polled by Secretary Lewis back in October and November of last year to see what their best efforts might be should he be successful in convincing the President to increase and venture forthwith the administration proposal for the 5-cent increase.

I was present at that time, and everyone pulled out the stops and cleaned their shelves of projects that they thought they might get out. I think most of us that were pretty sane went about those predictions thinking, well, I sure hope we can do it, but we wanted to demonstrate the tremendous need.

Actually, the program that was developed under Darrell Manning's chairmanship, program for the eighties, which was a model really for some of this legislation several years ago, I think indicated needs up in the area of $26 billion a year could be spent, but it's gratifying to see that those moneys are being spent, and very few States have been able to take advantage—have not been able to take advantage of them.

Another provision of your ability to know was the ability of States to take out of the out years, and be able to fund in the short years if they couldn't raise State match. To my knowledge, very few, if any, States have done that. I think that that was something that was a useful provision in the law, but most States raised their own revenues.

I would like to move on now to some of your questions in relation to the Surface Transportation Act. We think that most State legislators have moved to come into compliance with the act. There is concern in several States about removal of the States' ability to limit overall truck length. I don't know whether this was, not an error, but an oversight in the act, but in many cases, I think what the trucking industry was interested in is being able to go to 48-foot trailers, which generally we supported, and the overall 65-foot length.

But I think the fact that it is ambiguous, and the fact that we are getting into a situation where we had lengths available in the States at that time might be confused with what was permitted at that time, and there's a need for some modification at some point.

There is concern in some of the Eastern States, particularly from which I come, about double bottom trailers and 48-foot semi's in terms of tracking problems, and the radius of the geometry of those urban sections, and we think that those can be addressed at a local level.

AASHTO standards for some time have been 102 inches in width by the policy committee. We generally feel that the 102 inch width can certainly be accommodated on most of the Interstate System with the exception of those Mr. Lamm mentioned earlier; however, when we get onto the primary system, there are lots of sections in the primary system that only have 10 and 12 foot, 10- and 11-foot lane width. Some of it is in urban sections that have more than one lane along side, which means that 102-inch, 48-foot long trucks have to go out into the opposing lane with shorter radii to make turns.

In our State, the legislature empowered me, for example, this year to issue permits and look at it on a route-by-route basis, and we have had good cooperation from our motor transport association. I think they are sincerely concerned about the public image they have also with these bigger rigs on the highway, and I think they would like to try before they buy also in your State.

Senator SYMMS. In relation to that, in your neighboring State of Connecticut, there has been a problem with respect to that, could you explain to me exactly what happened there?

Mr. CLEMENTS. Well, I believe they refused to abide by the Federal, and went to the Federal district court in the area, and as far as I know, Les, the court upheld the Federal position.

Senator SYMMS. It's kind of interesting that in one of the late hours in the middle of the night, Senator Dodd from Connecticut brought the question up with me, and we made it very clear on the record, on the Senate floor, that Connecticut was one of the States that was to be grandfathered in for the right of double trailers. And then later on, they objected to that. I think he is keeping a low profile on that colloquy.

Mr. CLEMENTS. I think the nature of part of that case was that there were two States in the East, perhaps more, Connecticut and Massachusetts had wanted to prohibit doubles entirely in contravention of the Federal law, and I believe Connecticut was one of those States where they wanted to prohibit it altogether.

It wasn't a matter of being granted the privilege of permitting on the primary system; they just said no doubles in Connecticut, and I think that was a direct opposition to the Federal law, and the courts so agreed. I would assume they went to appeal, also.

The comment I made earlier, there is a section in the bill that says longest semitrailer or trailer, "In actual and lawful use in such State on December 1, 1982." This standard is placing a burden on law enforcement officials that is hard to meet, and is making control over trailer and semitrailer length more difficult. I think in that one area, that is something we would like to take a look at.

Turning to the service life, it's been covered somewhat already, and I know it's going to be covered by others today, maybe perhaps from a different point of view, but as you know, the system was designed for a 20-year cost benefit life. It was designed around AASHTO road tests and equivalent axle loadings.

The standard utilized in the original design, we believe, have been proven to be sound over this 20-year period of time.

The quality of materials locally varied somewhat, and the service life of the highway is determined by several factors. What I mean by quality of materials locally available and utilized is everyone, I think, has the misconception that somehow the State highway engineers throughout the country can snap their fingers and say we are going to have uniform standards and design across country for the Interstate System.

To the laymen, they think pavement thickness, for example, are the same in New Hampshire that they are in New Jersey, or they might be there. They vary greatly throughout the country depending on the raw materials.

In the South, there's lots of limestone. It does not have the structural integrity of the granitic type of thing that I assume you have here, and we have in New Hampshire. We have been blessed with good construction materials, excellent drainage, and we build our roads to the highest standard possible in New Hampshire, as I think most States have in the Interstate System. Not all States are equally blessed by construction materials that are as sound in one area of the country as another.

The quality of the workmanship employed has quite a bit to do with it. Over the period of the construction of the Interstate System, the quality of the workmanship has improved constantly.

The success of efforts to properly regulate highway usage has varied so that the engineering limits aren't exceeded to which they were designed.

Now, in States like your State and our State, I think the tendency was in those early days for the interstate to be designed and built to put as many miles down as we could. I know when we did odometer studies in New Hampshire, we predicted a certain number of truck axle loadings over the period of the 20-year life when it was designed.

And of course, what's happened in the interim, we have had a great economic growth, the frequency of those loadings has increased and, therefore, even without the change from 73,280 to 80,000 pounds, service life has been shortened.

But in New Hampshire, we are, for example, one of the fastest growing States east of the Mississippi per capita. And so as a result, we put down minimum pavement thickness predicted on the actual average axle loading per day, but now those have doubled and tripled over what we expected and, therefore, the service life has gone down, and we have need to go back and put three out of those four systems back into proper shape.

So that generally, we obviously support the AASHTO design standards. We think that they should be properly maintained. All of the efforts of the Surface Transportation Act lead to that, and increased funds of the States have been raising.

However, given the fact that we have goon design life and good materials, the life is still finite, and attendant service life can be considerably shortened by the tendency of axle loadings.

It's been noted that environmental factors have a principal influence on highway deterioration, and not weighted frequency of the application of that load to the road. And that the increased loadings are much less of a factor than commonly argued by highway engineers.

Our AASHTO departments have evaluated this argument, but we have never been able to support it. We realize that in frost country like we live in, we have to ban roads during frostout, and that kind of thing, because the sub-bases deteriorate. We realize that there is certainly damage that occurs from environmental concerns, but they are all associated with heavy loads.

So as a result, if we get into one of those frost cycles where the frost is going out, loads are even more critical at that particular time of year.

We believe that increases in weights and consequent increases in axle loadings, do in fact hasten highway deterioration, especially when coupled with traffic volume.

Turning now, I guess, to the truck routes and truck access, Mr. Chairman, as a result of the Surface Transportation Act, we wrote a letter to the Federal Highway Administration earlier. We passed a couple of policies which are shown as exhibit 1 in our handout. The AASHTO policy, we don't feel, initially that the FHWA docket followed it. We were hoping that there would be much more State involvement in the determination of those truck routes and accesses. There have been a number of lawsuits as a result of that, but I must say that the FHWA has worked most hard during the summer. We have had additional meetings with them. There have been additional filings in the Federal Register. And many States now, I think, are more pleased with the designated route system than they were. And on a number of occasions, Administrator Barnhart and Les Lamm have expressed a willingness to work with those States in resolving those designated routes.

We feel that the access to those routes, though, should properly reside with the States. We think the States can, on a case-by-case basis, know and evaluate those access issues.

In the area of truck taxes, we know, as has been mentioned earlier, that productivity benefits to our motor carriers was significant. Not all segments of the motor carrier industry may have experienced some of those productivity gains, but in hearings before your committee and others hearing about the ability, for example, to carry plywood sheets, for example, 8 feet across on a 102-inch trailer would be a very cost-beneficial measure, and certainly must be cost beneficial out in this part of the country.

But the whole issue, we believe, in allocating costs, we support what Darrell Manning just said. We think that the highway system is a consumable product, and user taxes should be charged in the most equitable basis possible.

We have attached for your consideration on one of the exhibits, exhibit 2, and Scott Coulter may want to mention this, the Oregon report that reflects on weight-distance taxes.

I was talking to Bill Druhan earlier this morning, and it's interesting to note that all of our free world countries that have addressed this problem throughout the world, all use a form of weight-distance taxes.

We have appointed a special committee in AASHTO to study this problem, a 6-month study. I know how you feel about studies. You probably feel the same way we do about administrators, that this problem has been studied to death; however, we contacted the Federal Highway Administration and thought it would be most appropriate to be able to use highway planning and research funds for this project.

We have contacted all the States, and the return has virtually been unanimous in support of that project.

We have interviewed a consultant to take the project on. We have already had a couple of meetings with him. We expect to meet with him early in September. And in addition to that, part of a coalition of State agencies organized under the National Governors Association where I was last week.

I might like to point out, Mr. Chairman, that some of the organizations that are on that special National Governors Conference Task Force is providing administrative and technical support. The National Governors Association Organizations such as the Conference of State Legislators, the American Association of Motor Vehicle Administrators, the American Association of State Highway Transportation Officials, the National Association of Governors Highway Safety Representatives, the Mediation of Tax Administrators, the National Association of Regulatory Utilities Commissioners, the National Association of State Budget Officers.

Now, all of those are going to come together, Mr. Chairman, and consider the following issues. This is a task-by-task summary, and I think the easiest way I could cover this is to read it into the record:

The issue of heavy truck use taxation poses the following problems requiring AASHTO and the engineers involvement and investigation:

No. 1, complexities of the current tax structures and collection requirements are creating administrative difficulties for the trucking industry and governmental agencies. Such complexities result in the disruption of the free flow of interstate commerce by increasing to various degrees the cost of doing business, and is an impediment to economic deveopment;

No. 2, the growing realization that significant losses in the collection of truck fees are occuring as the result of evasion by those subject to the various taxing schemes;

No. 3, the requirement for a Federal study on alternatives to heavy truck use taxation along with the mandate of State involvement in this study; and

No. 4, the need to maintain a revenue base for preservation of an adequate highway system for trucks with various users paying their fair share of the highway damage they occasion.

The task by task, I think, will give you an idea of the depth of this study, and we expect to have it done by January 1, which is the same time, I believe, that the FHWA is going to complete their DOT study.

First, it would be to inventory the current Federal and State truck tax procedures.

Second, determine administrative and compliance issues at the State and Federal levels.

Third, determine what share of highway user taxes trucks are paying.

Fourth, analyze current truck taxes as compared with the Federal and State cost allocation studies.

Fifth, evaluate collection methods and the burdens imposed on the governmental agencies and the trucking industry.

Sixth, establish a data base reflecting revenue levels under the existing taxing systems.

Seventh, investigate structural changes in the trucking industry that are occurring. And by that, Mr. Chairman, we all recognize that the trucking industry is going through some tremendous structural changes as a result of deregulation in the economy, and I am sure your panels later in this afternoon will address that in great detail.

Eighth, one-on-one interviews will be conducted with various components of the trucking industry, and I believe those are set up for September 16 of the start of it in Washington.

Ninth, develop a list of alternative taxing methods.

Tenth, develop criteria with which to evaluate these taxing methods.

Eleventh, preliminary evaluation of alternatives and selection.

Twelfth, quantitative analysis of selected options to determine State revenues anticipated, and

Thirteenth, final selection of options and write the report.

We think that coupled with the DOT study should go a long way in providing Congress the type of information you would need through hearings such as this and subsequent hearings this fall.

Senator SYMMS. Thank you very much, John, for being here with us and for your excellent statement.

It sounds like AASHTO has a very ambitious project, which I think will probably be very helpful to both the DOT and Federal Highway Administration, as well as to the Congress, with respect to taking advantage of some of the studies that you do.

Scott, did you have a statement you wanted to make, and then I have a few questions for all of you.

Mr. COULTER. I have a prepared statement that I am not going to read.

Senator SYMMS. Your entire statement will be a part of our record, and if you want to summarize and make a few comments about things that are going on in Oregon, we would appreciate hearing from you.

Mr. COULTER. Let me just summarize what is in the statement, and then there will be some awareness of what people can draw from it, or if they want to take the time to read all the words.

Senator SYMMS. Bill, were you planning to testify?

Mr. DRUHAN. No, sir.

Senator SYMMS. OK.

Mr. DRUHAN. Thank you.

STATEMENT OF SCOTT COULTER, OREGON STATE HIGHWAY ENGINEER

Mr. COULTER. I gave a little perspective to look at taxation from the Oregon perspective on the basis of free criteria that we look for. We think those who benefit from the public roads should pay for them. We think that those should pay proportionate of the costs of which their activities are really responsible, and road use tax should be limited to the construction of maintenance of highways.

Oregon went back and I think was the first State to implement a gasoline tax in 1919. We had a ton-mile tax in 1925. A series of cost allocation studies in the midthirties; and had our first weight-mile tax as a difference between a ton-mile tax in 1947.

Senator Symms. What's the difference between ton-mile and weight-mile?

Mr. Coulter. The ton-mile is a tax on the weight of the load that is carried. If I ship 20 tons of potatoes so many miles, I would pay so many 20 times that number of miles for ton-mile tax.

If that vehicle weighs 50,000 pounds or 60,000 pounds, then a weight-mile tax is based on the total weight of the vehicle, not just the weight of the load that is occurred.

There were in your request, I think, you asked for comments on about five different proposals. The comment in the statement, the first one was the impact on the industry. Our analysis of the Surface Transportation Assistance Act on the trucking industry does provide some productivity, it can be a financial burden on particularly the low mileage owners of trucks regardless of the size. At the same time, those that travel more than the average of miles would gain a little by having a flat sizable use tax.

The productivity gains that you asked for comments on, I think the jury is still out. I think it's going to take the completion of the section 138 study and the 144 study, statement I am convinced that there's some improvements that are occurring, I see and am aware of trucking firms that are expanding their operation to those from one ocean to the other, because of some of the elimination of the barrier States that occurred because of the act itself. I think that there is a good potential there for improvements in the total truck industry.

You asked for comment on various legislative proposals. There is a variety there. I guess my recommendation is that we should, the Congress should do nothing with the legislative proposal until a variety of things have happened. I think that we need to complete the analysis that the Federal Highway Administration is involved in along with the Department of Treasury. I also think that the AASHTO study should be completed. That there then should be an opportunity by the user groups as well as the governmental entities to comment on those studies so that it would then be possible for Congress in their wisdom to evaluate all those, and decide whether changes in the laws should be taken for the future.

You asked for comments on the effect of roads and bridges. I think that this is perhaps less of a problem in the west than maybe in other parts of the country in that we have been operating with those same axle loads and gross loads for a good many years, and don't see any major problem.

We do know that the rate of deterioration of our highways accelerated at the time we went from 20,000 and 32,000 pounds tandem axles to 20 and 34 in 1973. The rate of deterioration on the highway system itself is obvious. We think it is apparent to us as engineers that the rate of deterioration increased when we had those increased loads.

We don't see any major problem with the 102-inch width. We have been operating 102-inch wide buses for a good many years, and don't see any major problem. There is going to be some narrow roads in which their use will have to be limited certainly.

We do have a concern over a 48-foot semitrailer. It is the off-tracking problem, because it would be impractical, I think, to force those semitrailers to operate with about 38-foot kingpin dimension to allow them to track as the 45-foot boxes that we are more accustomed to. There are design problems in our street intersections also, and our interchanges. We think there that the studies underway should help.

With regard to the 513(g) study, I think you are aware that the Federal Highway Administration identified nine options. We went through and made a matrix of those nine against the half dozen objective criteria that were talked about.

The equity, both vertical and horizontal, which is the ability of a vehicle to pay his share whether he is between classes or within a class.

The economic efficiency and of the fairness question, the figures are available.

Productivity/predictability, how reliable they might raise revenue and how well they predict the revenue that could be raised.

And the feasibility question both from the agency and from the owner standpoint.

Compliance and enforcement, we rated those good, poor, fair, or undetermined. There still seemed to be a need for additional information. We think that much of that information could fall out of the studies that are underway.

The completion of that study with the input from the Department of Treasury as well as from the AASHTO study with contacts made with the various States, we think that there can be some wisdom learned from the States on their compliance and enforcement problems.

A State that has a sizable diesel-fuel tax, for instance, that provides some information on how much evasion is occurring because people are buying heating oil and burning it in their trucks as diesel.

We and some others that have had some experience in weight-mile taxes can provide some input on the equity, the problems, compliance and enforcement in weight-mile tax. I think that putting that altogether will provide some good guidance for us as professionals to make some recommendations to the truck industry as users to evaluate, and then finally for Congress to do the right thing.

Senator SYMMS. Thank you very much, Scott. Did that complete your statement?

Mr. COULTER. Yes.

Senator SYMMS. I think Darrell made it clear that he would like to see how the present law works before he recommends any change in it, but also there seems to be from the association that you represent, a support for weight-distance taxes, ton-mile taxes. What about enforcement of that? I often hear people tell me that the truckers are certainly not going to be able to avoid it, but it's very difficult to enforce it. What is your experience on that?

Mr. CLEMENTS. Well, I might comment, Mr. Chairman, when we rounded out the scope of work on the study that we have, that's the reason I wanted to comment on those additional agencies, like the Motor Vehicle Manufacture Association, and others, I think that over the years, we have been partners with the trucking industry and many other highway users, and one of the complaints of the trucking industry is that there is a myriad of registration forms; the difficulty in having every State have a different method of enforcement and different revenue source.

What we would hope would happen if you had a national form of let's say weight-distance tax, the jury is still out on this, we don't know what that study will recommend, but hopefully it should be clean enough and easy enough on a national basis of speedometer readings and weights that perhaps the removing of the complexities would encourage the industry to go for that one method of taxation. We would certainly hope so. .

And I would just like to say before we leave the table, before I leave the table, that with the trucking interest here in the west so heavily represented, that this study that we are doing is not some sort of an eyewash to justify what AASHTO stood for or planned in the past.

I think we are truly interested in having comments from the trucking industry get into this study so that it can be as complete as possible, and this is a very good opportunity to do it. We think the truckers want equity, and some of the fixed taxation that is there now does not reflect trips in those that are driving, and we think that should be addressed.

Scott has had more experience in that enforcement. I guess both Idaho and Oregon have had weight-distance taxes, and has had more hands-on experience.

Mr. Coulter. Our analysis of the cost of compliance, enforcement cost for a weight-distance tax, historically has been about 5 percent. I saw some more recent figures that indicate that starting maybe 1 year ago and going back for a 3-year period prior to that, that it may have gone up slightly. I would attribute that to the economic conditions that we had in Orgeon that we hope we are coming out of, and come out to perhaps 6 to 6½ percent. Whether that's accurate or not, I don't know. That's the total cost of the funds that are collected. If you had $100 million in funds, it would cost you perhaps 5 percent to receive $1 million to collect that.

The evasion question that is the other side of it, as closely as we have been able to determine in trying to tax total sales of fuel, know where it goes, there is some uses, of course, that are exempt, but there remain some evasion of the type that the wrong declaration of miles traveled on the highway system, and that that may be a figure that is somewhat similar to the load evasion and noncompliance figure that was in the Federal report that ATA I think suggested about 7 percent, ours run somewhere between 6 and 7 percent.

Mr. Manning. With experience with taxes of all kinds, you can evade any tax. Any tax is burdensome. Any tax has its problems. They are all relative.

I think you can overcome any tax problem if you had a national tax of the weight distance concept. We think it would be easier for the States to then administer their own taxes in the same way, because you would have a cross control between the various States of operation, which is one of the big problems in truck taxation now because of the multistate operations.

We believe that that concept would be most fair, because it's based entirely on the use and wear on the system. It's very important if you go to any other kind of high fixed registration, you get the low mileage users subsidizing the high mileage users.

And the same is somewhat true of the gasoline tax; unless you structured it in a very complex way, and I think that would also have its evasion problems and recordkeeping problems.

Senator **Symms**. One of you mentioned about dying fuel, was that you, Darrell?

Mr. **Manning**. Yes.

Senator **Symms**. Some of the people I have talked to who are in the wholesale fuel business said if the price differential was kept less than a nickel, a nickel or less, they didn't perceive that it would be a collection problem. If it was more than that, it would be. You would kind of agree with that, or do you think that even a nickel might be an effort?

Mr. **Manning**. Well, Mr. Chairman, I believe that there is always the potential for someone to try to evade the tax by any means they can. If we have a considerable differential, I think you will have a considerable more incentive toward trying to evade the tax. Anything you can do to prevent that would be beneficial.

A dying program would be helpful not only in that concept, but also in the State collections. There's some use of nonroad taxes on our roads now.

Senator **Symms**. Well, probably your big users, the ones that are using most of the fuel wouldn't be involved. It would probably be in smaller lots. I would not want to see us do anything that would create a new complication or bureaucracy, or anything that we do, we ought to try to avoid something that would create another set of paperwork or accounting procedure, so forth. Use something that people are used to doing. That's what I would hope to do. I guess you all would agree with that?

Mr. **Manning**. Yes.

Senator **Symms**. OK. Thank you all very much. I appreciate your testimony, and your entire statements will be a part of our record. We appreciate your efforts to make contribution to our hearings.

The next panel is Claude Abel, Idaho Motor Transport Association, who, incidentally, our congratulations goes to who is now the new president of the National Association of Motor Transport Associations. Claude, we congratulate you, and we are glad to have you here.

You will be joined on the panel by Richard Carter from Ida-Cal Freight Lines, and Marvin May, president of May Trucking Co.

Glad to have you gentlemen here, and have the opportunity to hear from you.

Claude, why don't we lead off with you.

Mr. **Abel**. Thank you, Mr. Chairman.

STATEMENT OF CLAUDE E. ABEL, MANAGING DIRECTOR, IDAHO MOTOR TRANSPORT ASSOCIATION

Mr. **Abel**. My name is Claude E. Abel. I am appearing today as the spokesman for the Idaho Motor Transport Association, representing 220 trucking companies and 100 supplier and associate members of our association.

I will be brief in my comments, because it is very important that the spokesmen for the trucking companies and their suppliers of products to the industry be heard today.

As the managing director of our association, it is my duty to work closely with our members as well as our State and national elected officials and governmental agencies who have province over my functions of the trucking industry.

In my job, I can observe firsthand the operational and financial problems of the trucking industry in general. It is not my prerogative to tell our members how to run their businesse. It is, however, imperative that I endeavor to provide a favorable business climate in which they can operate. That challenge has never been easy, and becomes more difficult with each passing day.

During the past 3 years we have seen more changes, have more concerns both financially and operationally than at any time in the past 40 years.

The trucking industry is in what could be termed a revolutionary period. Unfortunately, it hasn't been for the better.

The combination of poor ecnomic conditions, deregulation by the Interstate Commerce Commission, despite the intent of the Motor Carrier Act of 1980, and the excessive tax burden both at the State level and the apparent upcoming use tax increases of the Surface Transportation Assistance Act has either had or will have serious economic effect on the vital trucking industry.

Verification for my comment is the latest report advising that since July 1980, 232 ICC regulated carriers have closed their doors, and an additional 68 carriers are operating under chapter 11 of the Federal Bankruptcy Statutes. These numbers do not include the many carriers who are not required to file financial reports to the ICC.

Responding in part to the five issues to which you allude in your notice of hearing:

Item 1, the impact of the tax structure implemented by the Surface Transportation Assistance Act on the trucking industry.

The impact is not fully known, because the substantial increase in the use tax has not been implemented. However, the increase in Federal fuel tax and the State tax increases to match Federal funds have created financial problems for the trucking industry in general. If the $1,600 use tax, which is scheduled for implementation on July 1, 1984, becomes a fact, we foresee very serious financial problems.

Item 2, productivity gains are minimal for carriers operating wholly within the Western States. The weights, lengths, and width in the West met or exceeded, in most instances, those encompassed in the Surface Transportation Assistance Act.

As a matter of fact, the confusion in designated routes and reasonable access has created a multitude of new operational problems. The trade-off has been costly to the Western trucking operations.

Item 3, among the many proposed pieces of legislation to repeal portions of the Surface Transportation Assistance Act, we support H.R. 2124 and S. 1475, both of which increase diesel taxes and repeal use taxes. Diesel tax is more equitable because it is a pay as you travel concept; whereas, the heavy vehicle use tax is more of a Federal property tax with no relationship to miles traveled.

Item 4, at my request, this item will be addressed at your hearing in Coeur d'Alene by an engineer from Western Highway Institute.

Item 5, we have had no opportunity to study the preliminary report on alternative tax structures; therefore, I will not comment on the study at this time.

We thank the committee for the opportunity to appear and express our views regarding a very important subject involving a very vital industry whose primary purpose is to provide adequate transportation for the health and well-being of our Nation. Thank you, Mr. Chairman.

Senator SYMMS. Thank you very much, Claude.

Mr. Rich Carter.

Mr. CARTER. Thank you, Mr. Chairman.

STATEMENT OF RICHARD G. CARTER, PRESIDENT, IDA-CAL FREIGHT LINES, INC.

Mr. CARTER. My name is Richard Carter, president of Ida-Cal Freight Lines.

In submitting this statement, I will keep my remarks brief, to the point, and address three areas of primary concern:

No. 1, the impact of the tax structure implemented by the STAA on the trucking industry.

The immediate impact in the implementation of STAA was an increase of approximately 1 cent a mile in our company's operating cost, due to the 5-cent per gallon tax increase on diesel fuel.

This increase was followed by increases in various State and local government taxes, increases that were disproportionate to the 80/20 matching funds program for Federal highways. These taxes added another one-half to three-fourth cent per mile to my company's operating costs.

In 1984, the heavy truck use tax will also add about 1 cent per mile to the company's operating expense, and will undoubtedly have to be paid up front with borrowed money, at the rate of approximately 14 percent interest.

In the area of new equipment purchases, the new tax on trucks and trailers will again significantly increase operating costs due to the increase in tax from 10 percent to 12 percent, and the shift from the manufacturer's excise tax to a retail sales tax. This is a significant tax increase to the industry.

In summary, the tax increase imposed by STAA and the ripple effect of State and local government tax increases accruing from Federal legislation will undoubtedly keep the trucking industry from improving its financial condition in the foreseeable future. As you are well aware, the overall profitability of the trucking industry in 1982 was nil.

I see very little change in this situation in the near future with the Federal, State, and local governments continuously bombarding an entire industry with what many of us view as confiscatory taxes.

Since 1980, rates have not kept pace with additional costs and taxes imposed upon the trucking industry. This trend must be reversed, and it must be done now.

The second area is productivity gains experienced by the trucking industry as a result of the increased truck size and weight provisions in the STAA.

As our company operates only in the Western States, there was little to gain from the increased size and weight provisions of the STAA. The only gains will be made in the State of California and, at this time, the regulations concerning the weights and sizes of the Federal highway system in California are still somewhat unclear.

Additionally, the designated State route confusion in California could affect any gains made on the Federal system. This is another example of the "carrot and stick" approach resulting from Federal and State legislation imposed on the trucking industry.

Item 3, Legislative proposals introduced by Members of the House and Senate which would alter the tax structure in the STAA.

I am not sure I am aware of all the legislative proposals made at this time. In any event, I would encourage any legislative proposals being made to alter the heavy truck use tax to a "pay as you go tax," to be incorporated into the motor fuel tax. This change would be more equitable and eliminate the cost to many trucking companies of financing this tax.

One other area of concern is talk of imposing a Federal weight-distance tax or the so-called ton-mile tax. Such legislation would be ill-advised. One needs ony to review the many problems connected with this tax in the States now using this method of tax collection.

We are being continuously advised of the enormous amount of tax evasion in this country. Efforts and suggestions are being made to close all tax loopholes, as they should be. Let's not create a highway truck taxing system that will encourage evasion or require susbtantial increases in administrative costs that absorbs all the increase in tax revenues with little or no moneys left for highway construction or maintenance.

In closing, I wish to express my appreciation for the opportunity to present my comments.

Chairman SYMMS. Thank you very much.

Marvin.

STATEMENT OF C. MARVIN MAY, PRESIDENT, MAY TRUCKING CO.

Mr. MAY. Good morning. I am Marvin May, president of May Trucking Co., a privately owned irregular route common carrier with corporate offices in Payette, Idaho.

Our company provides service throughout the continental United States with over 280 power units and 400 trailers, predominately 45-foot refrigerated vans.

During the dying days of the lame duck session, Congress passed the Surface Transportation Assistance Act. Many States were not pleased with the act as it forced them to accept unwanted configurations of trucks in order to remain eligible for Federal funds.

The trucking industry, while struggling under deregulation, was hit with a fuel tax increase of 125 percent, and a highway use tax of nearly 700 percent, yet was expected to accept this as a reasonable trade to obtain uniform permissible weights, eliminate overall length restrictions, and in a few east coast States, added the ability to run doubles.

The displeased States have increased taxes, and have adopted rules and procedures designed to make it cumbersome for truckers to take advantage of the promised productivity gains.

Illinois now permits 80,000 pounds, but increased its registration fees 20 percent across the board, added an extra fee for the higher weight that will increase our Illinois fees by 460 percent, and increased the diesel tax from 7½ cents to 13½ cents per gallon. Even with the additional fees, Illinois also requires a letter issued by the base plate State evidencing the 80,000 pounds registration.

Senator **Symms**. Before you finish on that point, so I don't lose track of the question, do your trucks have the range that you can fill up with fuel in Iowa and run through Indiana before you have to refuel?

Mr. **May**. Yes.

Senator **Symms**. So eventually Illinois is going to get burned on that, aren't they?

Mr. **May**. Iowa, all the States are following suit. Everyone is increasing their taxes.

Senator **Symms**. The 7½-cent difference?

Mr. **May**. Well, Steven, you have to report how many miles. And if you can't show that you bought that much fuel in the State, then you have to assess it at 4½ cents miles per gallon, and pay the additional. You do have it from State to State. If you overpay in one State, you can apply it to another State. It's a very cumbersome method.

Senator **Symms**. So in other words, there isn't much to be gained by loading up in one State and running through that State to go to the next State?

Mr. **May**. No; there's not, no.

Senator **Symms**. Go ahead. I am sorry to interrupt you.

Mr. **May**. Many States have looked to the Federal Government as the expert to concentrate tax increases on the trucking industry. For example, Pennsylvania has increased its axle tax fee from $25 to $185 this past year, a 640 percent increase. This is only a portion of this State's licensing requirement.

Other States find it necessary to increase their taxes to obtain the State matching funds for the Federal funds provided by the related Federal fuel tax.

At the Lewiston hearing of last year, Washington's Duane Berentson testified that Washington would require at least 2 to 4 cents per gallon additional tax to provide the necessary match.

Since that time, most States, including Washington, Oregon, and Idaho have enacted gas tax increases. Washington presently at 25 cents per gallon, State and Federal, is the highest tax in the Nation. Prior to 1983, it was 16 cents a gallon.

While the 102-inch wide, 48-foot long trailer was touted as a great productivity booster, for most carriers this is not the case. Although May Trucking Co. is presently ordering 102-inch trailers because the greater width provides a more stable trailer and promotes safety, it has minimal effect on productivity.

In most States, the 45-foot trailer must still meet the inside bridge rule, resulting in an extreme rear overhang. The ability to use the extra length is limited by concentration of weight on the trailer axles. The overhang also carries adverse safety implications. And for these reasons, we have chosen not to order 48-foot trailers.

The weight limit increases have had an impact only through the former barrier States. The increased taxes, however, are borne by the carrier and apply nationwide: their impact is not restricted to the barrier States. As an example, 100 percent of our traffic pays the increased tax, but yet 15 percent crosses the barrier States with possible benefits from uniform weights.

However, on these routes, the extreme competitive nature of our industry fostered by deregulation has enabled shippers to force rate cuts passing through the economic benefit of increased loading.

The trucking industry has received negligible productivity gains from the act, yet has paid dearly through cumbersome new rules, and both State and Federal tax increases.

At the Lewiston hearing again, Tim Wilson, corporate counsel of May Trucking Co., testified that Federal funding practices encourage State and local government to neglect routine maintenance in favor of new projects to obtain Federal dollars.

May Trucking Co., does not object to these projects themselves, but is concerned that their funding attractiveness is hindering the urgent maintenance needs that have prompted both Federal and State tax increases.

We are also concerned that many of the projects being funded do not demonstrate the relationships to the heavy truck use which prompted the extra emphasis on increasing truck taxes.

It is important, as we review the act's impact, that we remember that the justification for emphasizing truck tax increases was to catch up on maintenance. The trucking industry cannot afford, on its present profit margins, to subsidize urban commuter freeways or local development that should pay its own way.

The structure of the STAA is extremely detrimental to the efficient functioning of the industry in two respects. The Federal highway use tax is difficult to collect, and encourages evasion.

Our company pays its taxes. Our automated tax accounting system is conveniently accessed by auditors, so there is not a substantial collection difficulty. However, there can be collection difficulty from smaller firms not having the records necessary for an effective audit.

A larger carrier is a more attractive target for the productivity orientated auditor. It is, therefore, a concern that any tax imposed be efficiently collectible so that it does not place easily audited segments of the industry at a competitive disadvantage.

Many assume that the Federal highway use taxes are levied on all carriers equally and, therefore, can be passed onto the shipper without economic impact to the carrier. This has two limitations:

First, the motor carrier must compete with railroads, water transportation, and air transportation not subject to these taxes.

Second, competitive pressures force carriers to cut costs wherever possible. The carrier that decides the audit risk is small and postpones the tax that puts pressure on the other carriers to either go out of business or postpone the tax as well.

When revenues fall short of projections due to the evasion or diversion to the railroad, our politicians will demand another fair share increase.

Also, lack of State-to-State uniformity makes compliance by motor carrier difficult and expensive. As an example, I have attached to my statement a computer printout showing licensing records on one of our trucks licensed nationwide. This truck is annually licensed for 46

States, requires 1,034 different items evidencing proper licensing. Some States have as many as seven different stickers, cards, and permits.

In addition, we make quarterly payments to 11 States for mileage tax, 38 States for fuel tax, and 8 States using various other methods. Eleven States use more than one method.

If the additional taxes are needed, there are alternatives to the STAA. I recommend House bill 2142 and Senate bill 1475. These bills change the method of payment from the highway use tax to a diesel differential fuel tax collected at the pump. This has several advantages. It is efficiently collectible as the fuel system already has tax accounting and collection provisions. These bills will reduce the evasion problem and avoid the cash flow difficulties created.

These advantages are obtained while preserving the revenue projected for the STAA. It exempts vehicles under 10,000 pounds, structuring the diesel differential as a commercial user fee. The increased diesel tax will be imposed only when the vehicle is using our Nation's highways to haul freight and produce income. This is consistent with Federal tax policy. There is no equity problem similar to that associated with setting an all or nothing threshold for application of the current use tax.

One further comment: Presently the motor carrier industry is suffering economic hard times yet the State and Federal politicians have bombarded the industry with huge increases in licensing, use tax, and fuel taxes. These increased taxes are making it difficult to compete with other modes of surface transportation. The higher taxes must be passed on to the shipper. There is a point where they will be forced to ship by rail. The railroads are playing an active part in this issue as indicated by an attached article with my statement. As fewer trucks use the highways, less tax revenue will be collected and shortfalls will be evident, then who will pay for the highways. Thank you.

Senator SYMMS. Thank you very much for an excellent statement.

I have some questions that I might address to Claude, to you, and maybe Richard and Marvin could also comment on them, and the question is passing on the cost. You make the case here with this article attached, Marvin, about the railroads. I haven't read that article, but could you give me an example of railroad rate cutting that is cutting right into the trucks' ability to pass on the cost of their additional taxes?

Mr. MAY. Yes. Under the deregulation of the Railroad Act, the railroad has been able to have contracts with various shippers. On transcontinental freight, frozen foods, for instance, the higher the truck rate gets, because of the additional taxes. We are talking here, we estimate a million plus dollars next year, because of the Federal and highway tax increases over what we are paying at present. So you are looking at 2- to 3-percent increase in your operating revenues, operating cost.

To pass that on to the shipper, that puts with our increase, the railroad doesn't have that increase, and that makes him a more competitive way to be shipped.

Senator SYMMS. I guess it was Richard that mentioned about how much per mile it was costing you.

Mr. CARTER. Yes.

Senator SYMMS. Les Lamm said here that the Federal highway users fee increased from 2.4 cents per mile under the old tax to 5.5 cents per mile when all the schedule increases are fully in effect 5 to 6 years from now, would you agree with that?

Mr. CARTER. Well, that one wasn't about that way. I just used the example that a gallon of gas, same with the 5 cents to the penny. With the various State taxes, those increases came from about half to three-quarter. I would have to go and review those figures to agree or disagree.

Senator SYMMS. How many owner-operators are operating trucks out there that are not corporations? What percentage of the truck fleet would you say are individually owned trucks, or leased, or what have you, that when the taxes are paid on the truck, they are actually filed as an individual income tax?

Mr. CARTER. I don't have owner-operators. I have 100 percent company-owned trucks.

Senator SYMMS. And yours are all company-owned trucks, too, is that right?

Mr. MAY. No. We operate owner-operators as well as company-owned.

Senator SYMMS. The question I am getting at, the guy that is the owner-operator out there, he has had a 25-percent reduction in his marginal tax rates, plus liberalized depreciation schedule. Is he coming out better than the corporate operated truck as a result of that?

Mr. MAY. As competitive as it is right now, the tax breaks for an owner-operator is not really a need, because none of them are making any money to pay taxes. They are just sitting there.

Senator SYMMS. Are the truck companies like your own not making any profit at all right now?

Mr. MAY. Our company is an exception, we have made a profit last year and we will show a profit this year. We won't show enough profit to pay the increased taxes, however.

One thing, Steve, our taxes at the present time is our third largest operating cost. Drivers are No. 1, fuel No. 2, and taxes are No. 3.

With the proposed increases that we anticipate between now and January 1984, you are looking at between 10 and 12 cents a mile for taxes. And 10 or 12 cents a mile in talking with the evasion problem, and in Oregon, we have operated in Oregon for years with the ton-mile tax and the Idaho ton-mile tax. But there is a lot of carriers under the deregulated environment that are buying a truck today, start hauling freight under the deregulation, and they don't even know about the ton-mile tax. They are not aware that you are supposed to be making taxes for it. They are not going to be aware of making the Federal payments, especially the $1,600 to the Federal Government.

So by the time the auditors find that individual, he has lost his truck or the truck dealer has it back, and the guy doesn't have any money. They say, well, gee, you have got to pay. And he says, well, I really don't have anything to pay with, and that's the end of it.

So, when we are talking about a figure of 10 cents a mile, the standard profit level, and the trucking industry is around 2 cents a mile, so you are talking about 10 cents a mile, all the legitimate carriers that are out there trying to provide the service, they can't compete with someone at 10 cents a mile less.

Senator **Symms**. So if you put this in a truck run from say Payette to Los Angeles, it's about a thousand-mile ride.

Mr. **May**. Thousand miles, so you are talking about $100 at 10 cents a mile. We will pay $100 in taxes between Payette and Los Angeles. In addition, we will pay about $50.

Our tax structure will more than double through the Feds, and every State in order for them have the matching fund to spend the money that you created through the STAA, they have all had to increase their taxes.

So not only did we get an increase from the Feds, we have got an equal increase or a greater increase from the States as well.

Senator **Symms**. One thing I might say about the STAA that is positive, you commented in your testimony about new projects versus maintenance. The big bulk of this money is going into maintenance of the roads. The highway program now has been shifted from a program of new construction to a program of reconstruction, which you are speaking to.

There are still some projects to complete the interstate, which I think is important, but there will be a major emphasis now on rehabilitation and reconstruction of bridges and roads, which will help us.

You both commented on the increased weights and sizes. With relation to that, Claude, you might want to comment, how does the profitability of eastern trucking companies versus western trucking companies compare?

Mr. **Abel**. Mr. Chairman, I think probably most eastern carriers have actually gone out of business than there have been in the west. The profitability for all carriers is practically nil.

Senator **Symms**. Those people that have gone out of business up to now have gone out of business because of deregulation, competition, lower freight rates, high operating costs, and the present tax structure. The only new taxes they have paid have been the fuel taxes up to now, the 5 cents a gallon.

Mr. **Abel**. That's true, but I think the future with the proposed increases now, you are going to see an escalation of more carriers going out of business because of that increase in taxes.

Senator **Symms**. How many miles do you average on your trucks?

Mr. **Carter**. I probably average 135,000.

Senator **Symms**. I see all those trucks sitting in there all the time. It seems like there is an awful lot of trucks sitting there.

Mr. **Abel**. There have been a lot of sitting there.

Senator **Symms**. But you still average 135,000?

Mr. **Carter**. 135,000.

Senator **Symms**. How about you, Marvin?

Mr. **May**. West coast will probably be in the 120,000. East coast we try to get around 180,000.

Senator **Symms**. The reason I ask that question, I talked with Jack Buhl up in Saint Maries who runs a lot of trucks from Saint Maries to Lewiston, and he runs those trucks about 140,000 a year. He has had the same position that you have in terms of he would prefer to have the tax put on the fuel. He said, if I have to pay it, I want to put it on the fuel, and pay it as I go.

If I was running a grain truck 80,000 or 50,000 miles, I could see why I would want to put the tax on fuel, but if we raise the fuel tax even more, as the Wallop bill calls for, what is the advantage if it is still going to cost you 10 cents a mile, why change it?

Mr. May. Because it's going to cost everybody that pumps fuel 10 cents a mile.

Mr. Abel. Right.

Mr. May. I don't care what tax we pay as long as everybody pays it. I mean, if it comes up to the fact that you have got to have the 10 cents a mile or 12 cents a mile, if you have a collection means that everyone will be paying it, then we can operate and continue to make a profit.

As long as we don't get beyond this point that the truck costs are always greater than real cost, but the service that we provide is worth 20 percent, let's say, take a shipper like Simplot, which is testifying today, or Ore-Oda, to them, truck service is probably worth 20 percent more, but it's not worth 25 percent more, so somewhere down the line they have to cut.

When they do, less trucks are going to be on the road, and you are not going to have the money that you anticipate through your fees.

Senator Symms. Do you agree with that, Richard?

Mr. Carter. Very much.

Senator Symms. That's pretty much what your association would say, Claude?

Mr. Abel. That's right.

Senator Symms. In other words, if it's on the fuel, then everybody is going to pay for whatever they use, and there is no question about the heavy trucks that got the big increase out of the Surface Transportation Act. Senator Dole agreed at the time in December of last year that we would reopen this before it goes into effect, but waiting to see what Congress may or may not do doesn't help when you are looking at $1,600 per truck.

I want to get back to this truck that say ships potatoes or apples, or what have you, from Idaho to Los Angeles, to get at some kind of a standard that we can relate to: If it's a thousand mile trip, and the going rate now for a truck is, what, $2,000, $2,500?

Mr. May. For a thousand mile trip?

Senator Symms. Yes.

Mr. May. It's about a $1.06 a mile on an average, so you are looking at a $1,000 to $1,100 on a rate to Los Angeles.

Senator Symms. For a truck?

Mr. May. For a truck?

Senator Symms. If the STAA goes into effect as programed, the $1,600 tax, plus the new fuel taxes, then you will be saying that in order to hold your present ground, you would have to raise the bill on the shipper $100?

Mr. May. $50. Around 5 percent.

Senator **Symms.** Is there so much competition right now that that won't take place; in other words, what I am trying to get at, is it not possible to pass that on?

I talked to my brother, and he tells me that he can't hire enough trucks. So obviously, the rate must not be attractive enough then to get trucks, is that the problem?

Mr. **May.** I tell you, in our company, we haven't had a rate increase for 2½ years. Everything has been a decrease, because of increased competition.

Senator **Symms.** Of the deregulation?

Mr. **May.** Deregulation. There is more and more out there. I tell you, under the present taxing structures, there is a lot of carriers, and it's usually the smaller carrier, that are not paying the taxes.

The fuel tax, the one reason I like the fuel tax, is when you go into a truck stop, you put on 200 gallons, you are paying $28 fuel tax right there at that time. As you get ready to leave, it's paid, and everybody has to pay it.

But on a ton-mile tax or a use-fee tax as a Federal tax, everybody doesn't have to pay it.

Senator **Symms.** Let me just ask you another question. This subcommittee held a hearing in Illinois a couple of months ago, with the question of allowing States the right for toll financing of certain sections of highway interstate. Federally matched funds for Federal programs heretofore has always had the policy that they did not want to have toll financing.

How would you feel about toll financing where you could drive in and pay the same if you could allocate it out to so much for everybody to pay their fair share, whatever the formula was based on?

Mr. **May.** Are you talking about like going through a toll bridge and stopping and paying, like the New Jersey Turnpike, for instance?

Senator **Symms.** Yes.

Mr. **May.** Everybody that goes on the road has to pay, and so that's one way.

In fact, the ton-mile tax, if Oregon had a port of entry over here in Ontario, they could catch every trucker that comes through. It doesn't make any difference if he is a local carrier like ourselves, or if he is from Alabama, and stop him right there and got him in Portland and charge him his 6½ or 7½ cents a mile for the distance he ran, the ton-mile tax is a good tax.

If you were a carrier, and you are just a little guy and you just bought this truck that cost you $100,000 to buy a tractor and a trailer, and you are trying to support the truck payment, plus the wife and kid, what have you, and you made a trip hauling a load of apples from Symms out here to New York.

When you got back, just barely broke even, you know, by the time you paid for your fuel, and everything, you are not going to write the State of Idaho and say, gee, I really enjoyed the trip, here's my 5½ cents a mile while running through your State; they don't do it, and that's the same guy.

That's why the apple rate is so low, and a lot of the farmers at the present time are having a tough time on exempt commodities. Our company, out of 280 power units, we don't haul anything exempt, and I don't thing Dick does.

Mr. **Carter**. No.

Mr. **May**. We cannot, no way, compete with exempt carriers, because I would say 75 to 80 percent are not paying their taxes.

Senator **Symms**. So in other words, if we go to a fuel tax, then the exempt rates might come more in line with the nonexempt commodities, is that right?

Mr. **May**. They could, but I know a lot of times the exempt shipper would probably like it a little more in line as long as he is still competing with his competitor, especially if he has the equipment available and some dependable service that he knows his load of apples or onions are going to make it to New York.

Senator **Symms**. Well, I think that's the case.

Mr. **May**. I know it is the case.

Senator **Symms**. I don't think there is any benefit for freight rates to be so out of line that it would be impossible to get a truck, that doesn't do any good either.

Well, you pretty well covered what you think the costs will do. You don't perceive a problem in collection, I wanted to ask that question. I asked Darrell Manning that question. He was recommending dying fuel, and so forth, but you would not perceive a problem in 5-cent-a-gallon differential.

Mr. **Carter**. No problem.

Mr. **May**. Not near the problem you have today.

Senator **Symms**. Do you think that the fuel tax would make up some of the differences that occurred in the bill where the heavy trucks got a big tax increase, and some of the lighter trucks maintained their present status, and in some cases the taxes were actually repealed on some of the lighter trucks, would you want to comment on that, Claude?

Mr. **Abel**. Mr. Chairman, the figures that we have, and I think it's been a very conclusive study, shows that under the present law in the STAA bill, the Federal Government will have collected approximately $72 billion over the next 6 years.

The studies that we have show that under a fuel tax differential, 14 cents a gallon, they would derive $71.6 billion.

Senator **Symms**. Would you repeat those numbers again, please.

Mr. **Abel**. $72 billion under the present plan over 6 years under the Surface Transportation Act.

To go to a diesel differential of 14 cents, and do away with the use tax, $71.6 billion.

Senator **Symms**. So there's not much difference.

Mr. **Abel**. Not much difference.

Senator **Symms**. Well, one thing about it, there wouldn't be any incentive for anybody out here. I could imagine the first thing I would do if I had a fleet of trucks is try to figure out how I could run some of them for less than 5,000 miles to avoid that big tax. Then the ones that I run, I would run night and day if possible. I think that is human nature that they are going to try to do that, and not improperly so. That's just the way it is going to work. So you would avoid that problem?

Mr. **Abel.** That's right.

Senator **Symms.** Who did those cost analyses?

Mr. **Abel.** The figures that of course we have is a study made by the American TruckingAssociation. It is obviously very close to the overall picture on the tax situation.

Senator **Symms.** That's the Wallop bill.

Mr. **Abel.** Right. The Wallop bill and the House bill 2124, which are basically identical bills, with strictly a diesel tax differential.

Senator **Symms.** That's the 5 cents difference?

Mr. **Abel.** Right. Five cents from the present.

Senator **Symms.** From the present. So it would raise it to 14 cents?

Mr. **Abel.** Right.

Senator **Symms.** It's been proposed that the current 5,000 mile exemption for trucks be increased to 10,000 miles; how many vehicles do you think that would affect out in our part of the country?

Mr. **Abel.** Mr. Chairman, I haven't had a survey on that. But I think it comes back to the point again of how are you going to enforce it.

Senator **Symms.** Maybe the next panel may want to comment on that.

Mr. **Abel.** It's not a reporting situation. How are you going to audit it?

Senator **Symms.** Claude, have you had a chance to read the Department of Transportation study on the alternatives that they have talked about, are there any of those that you want to comment on?

Mr. **Abel.** Mr. Chairman, I did receive a copy of the preliminary report, and I haven't frankly had the opportunity to study it in detail at all at this time. That's why I did not comment on it in my statement.

Senator **Symms.** I want to get back to the one question, and then I will let you go, and I appreciate your being here and your testifying, but you are saying that the profit margin is minimal so that most of the truckers are not paying any of the Federal income taxes now; is that due to their inability to charge high enough rates? If you buy a new truck, you can depreciate that truck off, and write expenses off and hopefully you will have a little bit left to live on if a guy is out here as an owner-operator of a truck.

But if we do get into a situation where some of these rates and the demand picks up, and people are in a more favorable position, are any of the truck operators going to be better off because of the lower marginal tax rate and a more liberalized depreciation scheduled in the total taxes even in terms of corporate taxes, aren't the depreciation schedules more liberal after the passage of the 1981 Recovery Act than they were before that?

Mr. **May.** Yes; they are. However, when you sell that truck, you have to recap its ordinary income. It's not a capital gain issue.

So if you depreciate out the truck in 5 years or 6 years, it's basically immaterial, because when you sell the truck, you are going to recapture, you can depreciate it out more than you have. And yes, of course, it will be beneficial. If the industry ever comes around to make a profit, if you have a tax break, same as any other industry.

Senator **Symms.** Any other comments that you want to make?

Mr. May. Yes; I have just one comment. On your question to Claude on the 5,000 miles to the 10,000 miles, you mentioned like the ready-mix people would support that. If they changed it to a fuel tax, then it would cover everybody.

The thing I am getting at, at 5,000 miles, the guy that runs 8,000 miles, he is paying a hell of a penalty. The guy at 10,000 miles, the one that runs 12,000, then he is paying the penalty.

If you get it down to a diesel tax, then if you run 12,000 miles, you are going to burn another 50 gallons of fuel, and you pay just a very minimal amount more.

Senator Symms. I appreciate your viewpoint. I happen to think this is a good direction for us to try to go with this thing frankly, but it appears to me like the guy that is really getting burned out there is the guy that runs the truck say 50,000–60,000 miles a year as opposed to people like yourself who run them 120,000–130,000 a year. Your taxes are still going to be pretty high.

If Claude's numbers are right, the net impact on people like yourselves who are really putting the miles on trucks is going to be the same, except you will be paying it as you go, and it will be distributed in your overall operating costs, I guess. Did you think that's an easier accounting system, in other words?

Mr. May. It's an easier accounting system, and we know that the gentleman who is running the 60,000 miles is paying his taxes.

Senator Symms. He is paying his share, too.

Mr. May. The biggest concern, if you are talking about a penny a mile savings, if a guy could get out of it, that's one thing. But when you are talking 7 and 8 cents a mile, there is a lot of people that won't report it for $500 or $600 a month.

Senator Symms. OK. Thank you very much. I appreciate it.

Mr. Abel. Mr. Chairman, may I ask one question?

Senator Symms. Yes.

Mr. Abel. Will the record be kept open after the hearing today? Several carriers have asked about submitting written testimony later.

Senator Symms. Yes. Our record will be kept open for at least 30 days, and we would welcome written testimony from those people who wish to testify.

As you know, we will be holding a hearing tomorrow in Coeur d'Alene to allow people from that part of the country to testify, so we will probably see you, Claude, with the Idaho Motor Transport.

Mr. Abel. If I may, Senator, I would like to present that to you. We will have more later.

Senator Symms. Thank you very much.

Mr. Abel. Thank you.

Senator Symms. I might just say again, for the record, that all of your statements will be made a part of the record.

Let's take the next panel. We will add Otis Winn of the Utah Motor Transport Association to the panel.

So why don't we have Lynn Dahle from the Concrete & Aggregate Producers Association, Scott Parker, Jeff Davis, and Jim Emery come up now. We will take that testimony, and then we will break for lunch.

I will also mention before this panel starts that Senator McClure was unable to attend the hearings today, however, Jeff Felix from the

Senator's staff is here from Washington, D.C., and did you have a statement that you wanted to present to the committee, Jeff?

Mr. FELIX. No.

Senator SYMMS. OK. Thank you. We are glad to have you here. Let's lead off with Lynn Dahle.

Mr. DAHLE. Thank you, Senator.

STATEMENT OF LYNN DAHLE, PRESIDENT, DAHLE'S RED-E-MIX CO. OF SALMON, IDAHO

Mr. DAHLE. My name is Lynn Dahle. I am president of Dahle's Red-E-Mix Co., of Salmon, Idaho. However, today I am here with a delegation of presidents from the three northwest concrete and aggregate producers associations. With me from Idaho is Jeff Davis, from Oregon is Scott Parker, and from Washington is Jim Emery.

I would like to read a statement prepared by this group, and then ask each of the delegates to give specific examples of how the user-fee taxes imposed by the Surface Transportation Assistance Act of 1982 will affect their individual businesses.

The majority of our combined memberships strongly support the federally aided highway program. With the passage of the 1982 Surface Transportation Assistance Act, we are assured that the Nation's highway system will benefit from an ongoing construction and maintenance program. The traveling public and the commercial transportation industry will also benefit from a network of highways that are safe and useful.

Unfortunately, the 97th Congress failed to develop a method for financing the program that would be equitable or fair to all users of that system.

As an industry that utilizes streets, roads, and highways to deliver our products to consumers, we realize the responsibility we have to the maintenance of those systems, and feel it necessary to pay a fair share.

However, the act at the present does not distinguish between heavy, high-mileage vehicles, and heavy, low-mileage vehicles. It requires very low-mileage vehicles to pay the same as high-mileage, long-haul carriers. It is because of a need for that distinction that we appear before you today.

Our industry's use of the Federal Highway System is limited. Only a small percentage of our trucks ever use an interstate highway. Most deliveries of aggregate and concrete are made within the communities where they are used, so our trucks use city and county roads to a greater extent than Federal highways.

Also, the nature of the construction business is seasonal and we are often only able to work 6 months to 9 months per year in the Pacific Northwest.

While we prefer to make every trip with a full payload, frequently deliveries are made with short loads and a ready-mixed concrete or dump truck almost always returns empty from its delivery point.

It is, therefore, unfair for each of those specifically designed vehicles to pay the same amount of tax as other haulers that transport cargoes to and from destinations with full payloads over many miles of the Interstate Highway System.

The economic impact of the user-fee concept would be repressive to all. The initial outlay of fees for large companies with several trucks will create a hardship, but for the small companies with few trucks it could be disastrous. The high fee schedule would cause some firms to reduce their fleet size which would not only affect service to the community, but will eliminate jobs. Fewer trucks means fewer employed drivers. It also means fewer truck sales, et cetera.

The fuel surcharge is the best solution to the problems outlined above. H.R. 2124 and S. 1475 propose a 5-cent-per-gallon diesel surcharge implemented at 2- and 3-cent increments over a 2-year period.

The surcharge recommends a pay-as-you-go concept that shares the cost with the amount of miles traveled. Heavy, high-mileage vehicles will pay more than heavy, low-mileage vehicles, because they use the highways more.

However, as with any increased cost of operation, the cost will ultimately be borne by the consumer. An important point when we are still working to fight our Nation's No. 1 enemy, inflation.

Senator Symms. Thank you very much, Lynn, for your statement.

I might just say that Lynn wrote me a letter about a year ago that I quoted quite widely around this State during a series of town meetings that we held with respect to the numbers of taxes that he has to pay in his small business, and it is literally overwhelming when one looks at the list of taxes that people do pay. You certainly have my sympathy with respect to that, because when I looked at the entire list that you had worked out, it was even more than I had thought. I knew it was bad, but I didn't realize it was that bad.

Scott Parker.

Mr. Parker. If you don't mind, Senator, I think Jeff Davis will go ahead.

Mr. Dahle. We had a change in order.

Senator Symms. Oh, Jeff Davis, excuse me. Jeff, OK.

STATEMENT OF JEFF DAVIS, GENERAL MANAGER, COLONIAL CONCRETE, INC., TWIN FALLS, IDAHO

Mr. Davis. Mr. Chairman, my name is Jeff Davis. I am treasurer and general manager for Colonial Concrete, Inc., Twin Falls, Idaho. I am also president of the Idaho Concrete & Aggregate Producer Association.

In 1982, Colonial Concrete delivered 17,468 cubic yards of concrete. Sixty percent of that concrete was delivered within the city limits of Twin Falls. Of the remaining 40 percent, half of that was delivered on county and rural roads.

As you can see, only a small portion of our deliveries are made on the Federal highway system.

Because our trucks are specialized for hauling concrete only, we travel loaded only one way. Fifty percent of the time we travel empty returning to the plant.

Because concrete is a perishable product, we customize our deliveries to each customer. In 1982, our trucks averaged 6.2 cubic yards per delivery, which is 75 percent of loaded capacity.

Because our trucks travel only a small portion of their miles on Federal highways loaded, only three-quarters of their capacity, and empty half the time, we feel the current legislation is unequitable to ourselves and to our industry.

I strongly urge you to support S. 14[illegible] and H.R. 2124, which would be by far a more equitable taxation which we would pay as we use the highways. Thank you.

Senator SYMMS. Jeff, do you have a written statement for the record?

Mr. DAVIS. No; I don't.

Senator SYMMS. OK. Now, who wants to go next?

Mr. EMERY. I will go next.

Senator SYMMS. Jim Emery.

Mr. EMERY. And there is a written statement.

Senator SYMMS. OK. Thank you.

STATEMENT OF JIM EMERY, VICE PRESIDENT, AAA READYMIX, INC., MOSES LAKE, WASH.

Mr. EMERY. Senator Symms, I am Jim Emery, vice president of AAA Readymix, Inc., of Moses Lake, Wash. I represent the membership of the Washington Aggregates & Concrete Association as their spokesman along with the delegation from the Northwest Concrete & Aggregate Producers.

The National Readymix & Concrete Association surveyed the readymix industry across the nation and furnished us with actual projections on user fee costs:

For example, a small ready-mix operation with seven trucks in 1982 Federal use tax paid $840. Projected 1984 Federal use tax would be $4,200.

There is a couple of other examples in the middle, but I will skip over those.

You go to the larger producer for 68 trucks, 1982 Federal use tax paid was $8,160. 1984 Federal projected would be $48,960.

The unemployment in the Northwest has been particularly severe, and this tax will add to rather than alleviate the cutacks in employment we have already had to make to survive. The small company could be forced out of business, or at best this use tax could cause further reductions in the labor force.

It would raise the cost of ready-mix, which would increase the already prohibitive costs of residential building, further raise the taxpayers' contribution for cost of public works. It is a catch-22 situation that instead of progress would instead accomplish further retardation in getting our country back on a self-sustaining basis.

This act, which our industry supported in hope that it would, at least in part, alleviate unemployment could have a reverse affect if the Government does not consider the impact upon our industry. The free enterprise system made up of individual companies that our country once supported, will not be able to function in such an across the board rendering.

This is an assistance act, we ask for your assistance in maintaining our efforts to produce. Not only our product, but the byproducts of our production; wages, equipment purchases, taxes, et cetera. Thank you.

Senator SYMMS. Thank you very much We have one more witness. It would be Scott Parker.

STATEMENT OF SCOTT PARKER, OREGON CONCRETE & AGGREGATE PRODUCERS ASSOCIATION

Mr. PARKER. My name is Scott Parker. I want to thank you for allowing us to testify here today. I am representing the Oregon Concrete & Aggregate Producers Association as well as my own meager business, a sand and gravel company.

As president of OCAPA, I represent 90 sand, gravel and ready-mix concrete producers, and 60 associated members, including 6 cement producers in the State of Oregon. That totals over 85 percent of the people associated with our industry in that State.

When we heard of your willingness to allow us to testify, we not wanting to gang up on you, decided to join forces with Idaho and Washington Concrete Associations to emphasize to you the impact this legislation has on our industry.

What we as a group are really asking, I think, is not to be exempted from paying our fair share of this tax, but rather to pay what we feel is our fair share.

My particular business is very small. We only run three ready-mix trucks, and one dump truck. We serve a population of approximately 15,000 people, and also the very northwest fringes of the city of Portland. Our annual production of concrete is about 5,000 yards.

We are now paying approximately $120 per truck for our Federal tax, and this legislation through the Surface Transportation Act will raise that between $600 and $700 per truck.

Distributing that increase over the small amount of yardage that we are talking about, we are looking at increasing directly to the consumer between 30 and 50 cents per concrete yard. I feel that at this time with the Nation trying to curb inflation, that it is very unhandy to go about it in that manner.

Very much the Oregon Concrete Association and this group is supporting passage of the House of Representatives bill 2124 and Senate bill 1475. It tends to be a little less inflationary, I feel, because it's a pay as you go basis.

Starting in mid-1980, we noticed an increase in decline in volumes of business that we were enjoying. Trying to compensate for that decrease, we decreased price. Competition and everything else, that has not been the answer. We are working on considerably less profit margins than we have in the past.

Our Federal permit fees, our State permit fees have not decreased. They have, in fact, increased. Our labor costs and parts costs have not decreased, they have, in fact, increased; yet, our prices have gone down.

Our ability to provide the products and service customers have come to enjoy is becoming ever more difficult to supply, if not impossible.

As president of the OCAPA group, we have communicated directly with our Representatives and Senators in the State of Oregon, and we to this point have received confirmation of three Representatives supporting passage of bill 2124. We have two Senators that say that we will definitely consider it. They will be advised of our testimony here today.

Through the passage of those two bills, we feel that the distribution of the tax will be much more fair specifically to our industry. That's really all I have to say. I want to thank you again for allowing us to testify.

[Mr. Parker submitted the following:]

New User Fee Structure Effective Dates

CALENDAR OF EVENTS FOR FEDERAL HIGHWAY TAXES

January 1, 1984 - New tax on tires takes effect:

TIRES: Zero cents per pound on the first 40 pounds.
15 cents " " for the next 30 "
30 cents " " for the next 20 "
50 cents " " for each pound over 90 Lbs.

Tread rubber and inner tube tax repealed (approx. $30 per tire). Industrial equipment tires - (status unclear, but as far as we can discern - No tax).

July 1, 1984 - New heavy truck use tax applies. Delay schedule increases in heavy truck use tax by one year for owner/operators of five or fewer taxable trucks.

33,000 - 54,999 Lbs: $ 50 + $25/1,000 Lbs over 33,000 Lbs.
55,000 - 79,999 Lbs: $600 + $40/1,000 Lbs over 55,000 Lbs.
80,000 - or more: $1,600.

Trucks traveling 5,000 miles or less annually on public highway exempted. Fleets of five trucks or less exempted until July 1985.

What will this new tax cost you? Here are some examples:

Example A: 7 mixer trucks

1982 Federal Use Tax Paid	$ 840.00
1984 Federal Use Tax Projected	$ 4,200.00

Example B: 12 mixer trucks

1982 Federal Use Tax Paid	$ 1,440.00
1984 Federal Use Tax Projected	$ 9,600.00

Example C: 56 mixer trucks

1982 Federal Use Tax Paid	$ 6,531.00
1984 Federal Use Tax Projected	$42,755.00

Example D: 68 mixer trucks

1982 Federal Use Tax Paid	$ 8,160.00
1984 Federal Use Tax Projected	$48,960.00

July 1, 1986 - Heavy truck use tax increases for 55,000 pounds plus.

55,000 - 79,999 Lbs: $500 + $44/1,000 Lbs over 55,000 Lbs.
80,000 - or more: $1,700.

July 1, 1987 - Heavy truck use tax increases for 55,000 pounds plus.

55,000 - 79,999 Lbs: $600 + $48/1,000 Lbs over 55,000 Lbs.
80,000 - or more: $1,900.

* * * *

Senator Symms. Thank you very much. I am going to ask a couple of questions.

Mr. Dahle. Senator, may I say just a couple of more things? I would like to talk about the audit part, of auditing the miles. Last Friday, I had the opportunity of being audited by the Idaho State Audit Department. In order to keep the records of my trucks, I keep the odometer miles, and that was acceptable to the auditor who was there.

I listened to Mr. Manning talk about the problems that we have with the diesel fuel. As I consider that, I think that we have a whole lot more problems with the mileage records.

I know that as Mr. May and the other people who testified just before us, it is very easy to change odometers, and you can have a broken speedometer very easily.

As I was audited, I expressed those opinions to the auditor. The bookkeeping costs that I have in trying to keep track of the miles that I run for private miles on private roads—I guess I am feeling kind of bitter today, I really am—as I think about it, the feelings that I have toward my Government is not too healthy today, and I suppose that if I so chose instead of being honest, which I was, that I could make it so that my records would appear as they needed to be.

I am feeling uncomfortable with the legislation that we are talking about with the 5,0000-mile exclusion, because I think that as Mr. May said, and I think you mentioned the same thing, too, I have two tractors that will pull 80,000 pounds. I haul cement from Idaho Falls to Salmon.

Last year on my cement bulker, I put 15,000 miles in hauling that cement. The taxes up front for that was, as I remember, were somewhere around $1,600 to $1,800 just for those 15,000 miles that I drove, plus in addition to the fuel taxes that I pay.

Also, when I drive on Forest Service roads I pay a Federal fuel tax. I also get assessed by the State for the same miles that I drive on the Federal Forest Service roads.

I am feeling kind of frustrated today as I look at the seeming unfairness and the difficulty. Not that I don't appreciate the administration's part in trying to administer fair taxes, and I am willing as a businessman, as an operator, to take and pay the fuel tax even though I am running half empty all of the time, because of the book work and the problems that I have.

If we directed all of our efforts to collecting fuel tax, I think we would be a whole lot more efficient. Thank you, Senator.

Senator Symms. Thank you very much.

Let me ask you this: What's the average, if there is such a thing, of miles ready-mix concreate trucks operate?

Mr. Emery. National Ready-Mix put one out at about 6,700 miles. That was an average of the whole country. Now, it depends if you are out in an urban area, you would probably have a lot less, because you don't have as far to travel.

Senator Symms. How many of these trucks are going to be able to come under the 5,000 exemption?

Mr. Emery. If you have it set up on that kind of exemption, there's going to be a whole lot.

Senator **Symms**. Well, that's the way the law is now.

Mr. **Dahle**. Yes.

Mr. **Emery**. Yes.

Senator **Symms**. So if that's the case, well, then, you are making a good argument for a fuel tax.

Mr. **Emery**. We think that's the most equitable way, because we will park trucks.

Senator **Symms**. How many trucks do you run in your company?

Mr. **Emery**. We have seven.

Senator **Symms**. You have seven on which you paid the $840.

Mr. **Emery**. Right.

Senator **Symms**. So if you ran three or four of those trucks 4,990 miles, and then ran the others more, you would reduce that other bill somewhat.

Mr. **Emery**. It would. On the average, and this is so far this year, we have run the total fleet maybe once or twice a year.

Senator **Symms**. I happen to also be on the finance committee, which deals with the taxing side of this equation, and their projections for total revenue dollars; the case you are making here is that the revenue dollars may not be what is projected in the bill?

Mr. **Emery**. Exactly. You are going to have a diminishing return.

Senator **Symms**. You are going to have a diminishing return, same thing as marginal tax rates are too high, people start looking for tax shelters or other ways to go below the tax rates, and sometimes people just decide to pay the taxes and not fight it.

Mr. **Emery**. Yes, and I think as the spokesman for—or at least for myself, I am more interested in productivity rather than trying to find tax loopholes when we are talking about depreciation, and all kinds of taxes. We have got to make a profit first so we can use some of that. We have been working on that for 3 years, and the industry is still down.

Senator **Symms**. Is there anybody in the concrete industry, ready-mix industry that is making a profit?

Mr. **Emery**. If they are, they are making slim ones.

Senator **Symms**. It was tough before the recession. It's always been a highly competitive business. I know from talking to some people in this valley, it's always been difficult.

Mr. **Emery**. This is hitting us at a bad time, because we are seeing renewed activity just in a time where we have kind of held everything together for so long, and then to be hit with something like this, that's why we came over to talk to you.

Senator **Symms**. Is Jim Repman in the room?

Mr. **Repman**. Yes, sir.

Senator **Symms**. Where are you from, Jim?

Mr. **Repman**. Portland.

Senator **Symms**. Portland. Do you have to catch an early plane, also?

Mr. **Repman**. I have one at 5 something.

Senator **Symms**. OK. Then you can stay till after the break at lunch?

Mr. **Repman**. Certainly.

Senator **Symms**. OK, thank you.

STATEMENT OF OTIS E. WINN, EXECUTIVE VICE PRESIDENT, UTAH MOTOR TRANSPORT ASSOCIATION

Mr. **Winn**. Senator, could I add a comment that would be appropriate to the statement that these gentlemen have made? My name is Otis Winn, Utah Motor Transport Association.

I met with my concrete haulers and with the gentlemen who heads the association of homebuilders in the State of Utah. We calculated that the increase in fees that would be associated with the STAA would increase the cost of concrete for the average home around $380.

And he concluded that an increase in the home of only $380 would deny approximately 1¾ to 2 percent of the people who are now eligible to buy a home, they would no longer be eligible.

I think this is beyond the taxing structures that we have been talking about, but it impacts on different people in different fashions.

Senator **Symms**. Thank you. Otis, do you have a statement that you would like to present?

Mr. **Winn**. I have a statement; yes.

Senator **Symms**. I would let the other four of you go if you wish to, and I thank you all very much.

Mr. **Emery**. Thank you.

Mr. **Dahle**. Thank you.

Mr. **Parker**. Thank you.

Mr. **Davis**. Thank you.

Senator **Symms**. Do you have a statement?

Mr. **Winn**. Yes, sir, I have a statement, and then I would like to verbalize it for a moment in order to reduce the time.

Senator, we are grateful for the opportunity to come and appear before you, and we appreciate a government that allows us to offer comments to legislation which has been passed.

I might say from the very beginning that even though the question may be moot, we do not necessarily agree that the Surface Transportation Assistance Act has produced a formula that is possibly more equitable than an incremental formula that was used for some 30 years.

You have raised some questions this morning, and if I may, from my presentation, provide comments to some of the things that have been said.

We certainly as users of the highway can reflect the same answers that people heretofore made before you, that there is no question but what the highway is wearing out.

However, we would point out the fact that in testimony before the appropriations subcommittees that the Department of Transportation has indicated repeatedly that those highways are wearing out on the basis of their life, their expected life, and that there is nothing abnormal about that wear. It's the expected deterioration that they had expected all the time.

We certainly agree that the highway revenue needs in the past decade have greatly exceeded the revenues based on the present tax rates, and they have since the early part of the last decade.

Highway construction costs rose dramatically fueled by inflation and the increased costs of petroleum products; however, in that period of time, no attempt was made even by the Department or the Congress to bring the revenues in line with the highway cost.

And we think that had they done so, we would have been faced with a much smaller overall tax increase, and would have been able to incorporate it into the tariff classes as those revenue needs were required.

With regard to the tax impact upon the carriers, we have found that there are many class II and III carriers permanently plagued by cash flow problems, and who will find it difficult to generate funds for a one-time annual payment of the highway use fee. For the most part, they would find it more comfortable if the fee were apportioned over the 12-month period, and tied to some usage factor to afford an opportunity to pay as you go. One such solution would be the fuel consumption tax, which we support in the form of 2124.

You have asked the question, and we have made a survey, we find that we expect from 60 to 85 Utah base carriers who currently have operating ratios in excess of 100, they are in the 103 to 106 class, who will be forced into bankruptcy by the higher taxes that are imposed.

Senator **Symms**. How many carriers?

Mr. **Winn**. Between 60 and 85.

Senator **Symms**. Utah carriers?

Mr. **Winn**. Yes, sir. And these are for the most part very small carriers who do not have the cash flow means to meet those increased taxes.

You raised the question to another person, to Claude, when he was here, we find that the increase in fees resulting from the Surface Transportation Assistance Act of 1982 exceeds the total profits of the transportation industry in 1982.

In fact, they exceed them by more than four times, and we raised the question then about our ability to pay, which I know has many different answers, but that certainly is a question that you in Congress should raise with the American Trucking Association, do we actually have the ability to pay the fees that have been imposed?

The question with regard to productivity gains, the major productivity gains in the industry or the ability to use the twin trailer in the 17 States that have previously prohibited them, and those are some immediate gains that as soon as the questions are settled and a sense of use of those trailers can be affected in the Eastern States, productivity gains will be experienced by those carriers who are carrying freight whose density is low enough to carry the weights.

They will be enhanced by the additional cubage of the vehicles. Where no additional cubage was required where densities of freight were greater, then they will not achieve any productivity gains. That is certainly true in the West where we have been able to carry or been able to operate twin trailers for a large number of years.

The 48-foot, 102-inch wide trailers, semitrailers will provide us a productivity gain. We have polled our users. We don't anticipate that their fleets will be converted for another 5 or 6 years, and that is total conversion, so we will not realize productivity gains until that time.

The one thing that would have provided a productivity gain in the West which could have been used was the "pinwheel concept" that was proposed by the delegation in California. That would allow the Western States to have settled on some regional appropriate basis for their oversize, overweight permits, which we could have then on a reasonable basis adopted and would have provided a productivity gain that would have helped us offset the costs of the STAA.

At the same time, those productivity gains would have resulted in a decrease in the wear of the highway of up to 36 percent on that equipment. We would certainly request that you review that very carefully, and endorse that at the appropriate time.

In conclusion, we would say that the elimination of the highway use fee and the collection of appropriate revenues through a fuel tax increase would be an item that we could support.

The adoption of the pinwheel concept so that existing State laws in the West could be clarified, and brought into some element of concurrence would be an item that we would encourage of the Congress to look at.

I would be happy to answer any questions, sir.

Senator SYMMS. Thank you very much. Did you say the 10-wheel concept?

Mr. WINN. Pinwheel, p-i-n wheel.

Senator SYMMS. Would you explain that, please?

Mr. WINN. Yes, sir. Many of the Western States had different verbiage in their laws that permit the issuance of permits for the movement of divisible loads. Those laws have come under some scrutiny by the Federal Highway Administration after the adoption of the 80,000 pounds as a result of the 1975 law.

The Federal Highway Administration has said that if you adopted the 80,000 pounds law that you automatically then lost some of your free agency with regard to issuing the divisible load permit.

So this question then raises in the Western States their ability. For instance, in Wyoming, you can operate a heavier vehicle up to 101,000 pounds with appropriate aaxle spacing; whereas, on the interstate system, you are not able to operate anything but 80,000 pounds.

The pinwheel concept says essentially that the States that were within a 750-mile radius of Salt Lake City, which brought in all the Western States, would be able to adjust their laws authorizing the divisible loads in order for us then to take and adopt on a ratio basis, size and weight laws to use, to make maximum use of multiaxle trailers at substantially lower axle weights.

As Mr. Manning has indicated to you, most of the AASHTO people have concluded that distress to the highway is a function of the axle weight. And we in the West have historically gone to higher axle weights versus people in the East who have gone to higher axle weights, and are currently operating axle weights of 44,000 pounds, whereas we are operating at 34,000 pounds. That's a geometric figure, and the distress is considerable.

We have gone to longer combinations, such as the twin 40's, Rocky Mountain double, triple trailers, they give us the additional cube to move the light density cargoes, but we are hampered in putting together patterns because of the wording of the State laws that were then grandfathered and we're unable to change at this time.

We need authority to change those State laws so that we can on a reasonable basis adopt within the State the appropriate size and weight formulas.

Senator SYMMS. Thank you very much.

The committee will stand at recess until 1:15 p.m.

AFTER RECESS

Senator SYMMS. The committee will reconvene.

Our next panel is Jim Repman, Western-Pacific Construction Materials Co.

And is John Hatch here?

Mr. HATCH. Yes.

Senator SYMMS. John, do you want to come up to the table, also. Jim, please go right ahead.

STATEMENT OF JAMES REPMAN, VICE PRESIDENT AND GENERAL MANAGER, WESTERN-PACIFIC CONSTRUCTION MATERIALS CO., PORTLAND, OREG.

Mr. REPMAN. Thank you, Chairman Symms. My name is James Repman, I am vice president and general manager of Western-Pacific Construction Materials Co., located in Portland, Oreg.

Western-Pacific is a major producer of ready-mix concrete, sand, gravel, and asphalt for the greater Portland metropolitan area marketplace. We operate from seven separate locations in southwest Washington and metropolitan Portland.

To serve this marketplace, we maintain a fleet of 100 ready-mix trucks, 20 dump trucks, and 5 bulk commodity transport trucks. Since the production of ready-mix concrete is our primary business, I will direct my remarks to the impact of the Surface Transportation Assistance Act of 1981 on our ready-mix concrete business.

First, ready-mix concrete is a highly perishable product that requires delivery in a specialized truck which is used for no other purpose. Therefore, 50 percent of the miles traveled by our vehicles are done with the vehicle empty, returning to the plant.

Second, the demand for ready-mix concrete is predominantly in the urban areas, and the majority of the deliveries are made on city streets, not public highways, which is the transportation system the act was designed to support. Growth occurs primarily through residential and industrial development.

Western-Pacific maintains a lifetime computer record for each of our trucks that includes the miles driven, the hours operated, volume of concrete delivered and the number of trips made. A review of this data shows that in recent years our trucks have traveled 3.2 million miles making concrete deliveries, but the average roundtrip is only 15.8 miles per delivery.

That review also shows that our average load size is only 76 percent of legal maximum capacity. This is because our products are perishable and specialized for each customer, and we cannot maximize the vehicle capacity, but instead must meet our customer demands.

The ready-mix concrete supply business is both cyclical and seasonal as some of my predecessors talked about. We don't operate every truck everyday of the year. Last year our trucks logged approximately 640,000 miles, which is 6,400 miles per vehicle, which is not much over the Transportation Act minimum of 5,000 miles.

Yet, this new truck tax under the act will cost us an additional $71,640 per year implemented. With the construction business as severely hit by the recession and as competitive as it is, that is an additional tax that will only serve to further cripple an already depressed industry.

Incidentally, our volume is off 65 percent from where we were in 1979, and 30 percent from what we had last year.

Senator SYMMS. Repeat those figures again.

Mr. REPMAN. Our volume is off 65 percent from 1979, and 30 percent from last year.

Senator SYMMS. Off 30 percent from 1982?

Mr. REPMAN. Yes; our average sales price is down approximately 25 percent. The construction industry in the Northwest has been severely hit.

As you talked about, there is more capacity than there is demand. We all try to make up for it, and cut our own throats. We are our own worst enemy in most cases, but it serves to take the bottom line and make it ready for, I would say, the majority of the industry for the last 3 years.

I don't believe that our industry is one of the major users of the Federal highway system which the act is designed to maintain. It seems that we are being caught in the middle, because people have categorically decided the trucks are the primary culprits whose use deteriorates the road systems without looking at specific users who should be exempt.

The act currently exempts loaded trucks that are driven less than 5,000 miles per year fully loaded. Perhaps one way to be equitable with our industry and still stay within the intent of the act and the exemption presently allowed would be to raise that exemption for our industry to 10,000 miles because 50 percent of the miles driven by ready-mix trucks is while they are empty.

I think also remarks of my predecessors indicated that as an industry, we are not asking for complete exemption. We are willing to support the fuel usage tax, which I think most of us—none of us are out looking for taxes, but we feel that this is something more equitable than the up-front user fees.

Senator SYMMS. How much of the highway construction business, per se, is the ready-mix industry? Is that mostly preconstructed?

Mr. REPMAN. It varies. In given years, it can be as much as 65 or 70 percent of our volume. In other years, it can be as little as 10 percent. Right now we are fortunate, the majority of the work that is going on is federally funded highway work along the I–84 corridor through Portland, and we have a good percentage of that.

In other years, the highway work would be down, and the residential, commercial, and industrial will pick up as much as 50 or 60 or 80 percent of it. So it fluctuates from probably a low of 20 to a high of 80.

Senator SYMMS. Thank you very much for an excellent statement.

John Hatch of the Idaho Farm Bureau.

STATEMENT OF JOHN HATCH, DIRECTOR, PUBLIC AFFAIRS, IDAHO FARM BUREAU FEDERATION

Mr. HATCH. Mr. Chairman, my name is John Hatch, director of public affairs for the Idaho Farm Bureau Federation.

I have a relatively short statement that I will simply read into the record.

The Idaho Farm Bureau is a private, nonprofit, general farm organization made up of 39 county farm bureaus with a combined membership of approximately 23,000 families in Idaho.

We believe that the Surface Transportation Assistance Act, when fully implemented, will cause severe economic impacts on the trucking industry.

Our major concern from the standpoint of agricultural producers who depend on a diversified and competitive transportation system for transporting their goods to market and receiving needed supplies is the very real possibility of the greatly increased fees and taxes putting many trucking operations out of business.

This could greatly reduce the competition within the trucking industry, and put the trucking industry at a competitive disadvantage with the railroads, and putting many farmers in the situation to a greater extent than is already the case, of being captive shippers to the railroads.

A great deal of the rationalization for the greatly increased taxes seems to be the increase in productivity that the trucking industry will gain from uniform truck size and weight limits mandated by the act.

Although this portion of the act was strongly supported by the farm bureau and is long overdue, the industry-wide benefits from improved productivity are only estimates while the taxes are real.

The productivity benefits will also not be felt equally in the various regions of the country or within the trucking industry. The West will probably benefit the least.

We do need a good surface transportation network and an increase in funding to upgrade the system by finishing the Interstate System, replacing inadequate bridges and a general rehabilitation was needed and general benefits from this will accrue to the trucking industry and agriculture.

There is still the question, though, of how great a share of the cost the trucking industry can carry and still remain viable, and there still remains that very big question of why the highway users should bear the cost of building and maintaining big city mass-transit systems.

The Surface Transportation Assistance Act rather than not being needed was simply too much too fast.

We recommend at least a slight scaling back of the increases, at least to the tune of taking mass transit back out of the highway trust fund, and a restructuring of the tax, fee formula.

We recommend scaling back of the heavy vehicle use fee in favor of the higher diesel fuel tax.

If this can't be accomplished, we favor at a minimum an increase in the low-mileage exemption from 5,000 miles to 10,000 miles. My paper says agricultural, but I meant low miles.

Thank you for the opportunity to testify before you here today, and for your continuing interest in this matter, and for your concern for a good highway system and healthy trucking and agricultural industry.

Senator SYMMS. Thank you very much.

What's the number of farm trucks that would be affected, like the beet trucks, for example? How many of the trucks in your membership, for example, are run less than 5,000 miles a year?

Mr. HATCH. Senator, I knew I should have brought that study that was done last year by the Idaho Transportation Council, and I can't quote you very well. I think the average is over 5,000. And like what was stated here before, one of our biggest problems is about 50 percent of them are unloaded capacity, I mean, we are running 50-percent empty.

We do have those figures. We did run a study that the Idaho Farm Bureau was a part of funding that study, and there is some pretty good figures out, and I didn't bring those figures with me. I can't quote them as to how many.

Senator SYMMS. Would it be possible that we could get those?

Mr. HATCH. Yes. I have a copy of the study that was done, and I should have brought it with me.

Senator SYMMS. We would be interested in that.

Earlier, we heard testimony from some of the heavy and long-haul truckers, they talked about the equity and the competition. Do you think most of the farmers whose trucks now come under the exemption of 5,000 miles, would have the same attitude that many of the ready-mix people have already testified to that they would prefer to have the tax on the fuel?

Mr. HATCH. Yes; I made that statement that that is our position that we would prefer rolling back of the heavy-use fee in favor of heavier on fuel tax. We feel that that would be a more equitable way to go, pay as you go, rather than such heavy on the user fee.

Many of our people are in the same boat as the small truckers are in, that their capital flow or their cash flow problems are such that they would rather be paying as they were making money than paying every month.

Our biggest concern, again, is not probably as much directly on the farm-truck operators as the overall impact on the trucking industry. We feel that we are dependent on the trucking industry for the transport of our goods to market, that we feel very much so that the trucking industry has to remain healthy for agriculture to remain healthy. There will be an attempt to pass the cost on to the shippers. We have no way of passing our costs on, so we are going to absorb the increased cost. We are concerned with the competitive situation between the trucking and the railroad.

Senator SYMMS. Do you happen to know what it costs to hire a railroad car to go to New York City, hauling say, potatoes or onions?

Mr. HATCH. I can't quote you that. There are some things that are being done in the railroad transportation industry that is helping out, these multicar rates, and so forth, but still we are concerned with the railroad's taking a bigger share of our transportation industry, of our agricultural products.

And eventually, if they get too big of a share of the transportation market for our agricultural products, then they may be in a position to come back with some rate increase. They have been working fairly well lately on some restructuring of the rate fees, rate structure in the rail transportation system. They have been making it more competitive, but they can do that only for so long.

Then if the trucking industry becomes less competitive, it could swing back the other way.

Senator SYMMS. Thank you very much for your testimony, I appreciate your coming very much, John, and also Jim Repman, thank you much.

Mr. HATCH. I will send you a copy of that study.

Senator SYMMS. If we could get that, I would appreciate it, and then we will decide whether we want to put that in the committee file or in the hearing record.

Mr. HATCH. Yes, thank you.

Senator SYMMS. Thank you very much.

On our next panel we have John Tolliver, president and manager of Statewide Transport, Inc.; Ray Kaufman, transportation manager for Simplot; and Hatch Barrett, president of Boise Kenworth.

We appreciate your patience, gentlemen, and to all witnesses who have testified here after lunch, I appreciate your patience to wait through the morning session.

But just because you are further down the list doens't mean there is any less weight that we put to your testimony.

So, John, go right ahead.

STATEMENT OF JOHN W. TOLLIVER, PRESIDENT, STATEWIDE TRANSPORT, INC., BOISE, IDAHO

Mr. TOLLIVER. Thank you, Senator.

I wish to point out that all local media, including the Idaho statesman, made no headline mention of the fact that this Surface Transportation Assistance Act was anything more than a 5-cent-per-gallon gasoline tax. When in fact it was basically a tremendous tax increase on heavy trucking.

I talked to many independent truckers, and none of them were aware of what was in store for them. Those of us who were ATA members were well aware, but the rest of the public was apparently ignorant of the facts.

Had it not been for the "Maverick" Park Hurst who claimed to represent the independents, I am not sure this group would yet be aware of the deception that was imposed upon them.

The effect of the present taxation system will be more devastating to the economy of the United States when the ultimate tax is implemented in 1984 for large operators, and July 1985 for small operators, because under the present system most operators will not have set-aside the dollars to be able to pay the excise tax.

Anyone who has had any experience with the IRS knows they don't bend or give, and if you can't pay, you are out of business, whether you have 1 truck or 5,000.

Statewide Transport's operations have been experiencing a net loss for the past 3 years, and feel that we will be fortunate to break even this year. The only way this small operation has been able to survive is because six family members are currently engaged in its operation, and not compensated fully for the time and dedication that is required.

We try to make our operation competitive with all others in the same field of enterprise. Recognizing that this increased tax burden will require more revenue from current operations, we have attempted to increase our returns on the work performed. In this effort, we have been stymied by competitive rates that force us to continue operations at the existing rate, which allows no room for the increased tax.

The information I have shows that heavy trucks comprise slightly more than 1 percent of the registered vehicles using our highways. This same 1 percent pays at least 25 percent of all highway user fees. It would hardly seem fair that such user fees as has been put forward by the Congress can be justified.

The Department of Transportation study of the rapidly deteriorat-ings highways, was promoted as the fault of heavy vehicles. Actually, the highways are wearing out at the rate the engineers and designers anticipated.

With regard to the increased size and weights portion of the STAA, it will be beneficial to the country to be able to eliminate the designation barrier States. However, the vast majority of the truckers do not become involved in the barrier States. All of the size and weight provisions of STAA were already enjoyed by them in the territory they serve.

Therefore, it does not ring true that enough benefit will be gained from size and weight legislation to compensate for this burdensome tax increase.

I have your letter, Senator, informing me that you will do all in your power to implement changes, and I appreciate that. But to date, I have no correspondence in my file indicating any activity in the direction of a correction.

This horrendous tax burden was approved in a few days, rushed through actually, to not interfere with Christmas vacations. I hope that a real push from you and other Senators and Representatives will transpire to correct the unjust burden for heavy trucks, and not allow this legislation to stand as enacted.

To achieve the additional revenue that is required to rebuild the highways and bridges, I suggest that you go directly to the producers of diesel fuels and gasolines and collect 10 cents per gallon for every gallon they sell. That will eliminate the burden of collecting taxes from many sources, which will result in a reduction of personnel to collect and audit, and special interest groups will not be excluded.

There will then be only a handful of people needed to handle this exchange, and the savings can in turn be used to implement highway repairs. This will also provide the funds deemed necessary to build boat docks, railroad depots, repair rail lines as well as the highways and bridges. Think of all the paperwork that woud be eliminated from all the vendors of products that have an excise tax tacked on, and must be reported.

For those who feel they should not pay this tax, we would remind them, this program would improve all transit systems which is beneficial to every person in this country.

Senator, we have seen a tremendous increase in truck-tax bills seeking substantial increases in revenue throughout the various States since STAA was passed.

Through the many articles I have read by persons who make a business of knowing what is going on in the trucking industry, it appears that large portions of these bills are inspired by railroad lobbyists and railroad front organizations.

It also appears as though some States were stung by Federal interference in their States, and while having to accede to STAA requirements, are imposing taxes as a retaliatory measure.

Since the Federal Government has decided to dictate truck policies it might be appropriate for them to take over all the licensing and taxation so that truckers will only have to deal with one office.

My wife Mina handles our office, and she informs me that much precious time is consumed to file the quarterly mileage and fuel reports, and other forms required by the various States. Each State has a different format to follow, yet each State winds up with the same result. She begs that you followup on a simplified form of licensing and reporting so her time can be better utilized.

In closing, Senator, I wish to compliment you for your efforts to reduce this taxation, and express our appreciation for the work you have done to give me this opportunity to express my opinion regarding this matter.

I also want to thank Claude Abel of the Idaho Motor Transport Association and the ATA for keeping this company informed as to the developments in these matters.

Senator SYMMS. Thank you very much for a very excellent statement. I note that you have some attachments to your statement. We will put those in our committee files.

Mr. TOLLIVER. Thank you.

Senator SYMMS. Thank you. I will have some questions for you, and I may call on Les Lamm to comment on your final paragraph there where your wife is talking about "a simplified form of licensing and reporting." I know the Federal Highway Administration has been working to that end to try to do something that will make that much simpler, so I hope that maybe we can come up with an answer here yet today.

Ray Kaufman. Ray, welcome to the committee.

Mr. KAUFMAN. Thank you, Senator.

STATEMENT OF RAY G. KAUFMAN, DIRECTOR OF TRANSPORTATION, J. R. SIMPLOT CO.

Mr. KAUFMAN. My name is Ray Kaufman. I am director of transportation for the J. R. Simplot Co.

Our company owns and operates several manufacturing plants and feedlots located in the States of Idaho, Nevada, California, Oregon, North Dakota, and Canada. These facilities produce food and chemical products for distribution throughout the United States and the world.

The Simplot Co. employs over 8,000 workers and has annual transportation costs exceeding $70 million.

A large portion of the inbound ingredients for the manufacturing plants and feedlots, and the products produced by these plants, are transported over the Federal Highway system.

Not only is the Simplot Co. a major purchaser of transportation services, we own and operate a private fleet of 116 trucks and 155 trailers, all of which are registered at or over the 80,000 pounds gross vehicle weight, all subject to Federal use fees, in addition to fees imposed by various State governments.

For these reasons, we would like to point out the impact of this legislation to our company, and I will restrict my comments to just three areas: the increased costs, productivity, and the legislative changes.

First of all, the impact of the increased costs associated with the Surface Transportation Assistance Act: A typical over-the-road vehicle registered at 80,000 pounds gross vehicle weight traveling 100,000 miles per year will use approximately 20,000 gallons of fuel.

In figure 1, if you have that, illustrates the dramatic impact of the act as it now stands and makes a comparison of both House bill 2124 and its companion bill, Senate 1475, both of which we are advocating, ATA, and other trucking interests are all advocating.

FIGURE 1.—FUEL TAX AND USE FEES

	1982	1983	1984	
			STAA	S. 1475 H.R. 2124
Federal tax	800	1,800	$1,800	$2,400
State tax (Idaho)	2,300	2,900	2,900	2,900
Use fee	210	210	1,600	0
Total	3,310	4,910	6,300	5,300
Cost/mile (cents)	3.3	4.9	6.3	5.3
Percent increase over 1982	....	48	91	61

Note: These costs do not include State prorations, licensing registration nor ton-mile tax.

Mr. KAUFMAN. I would like to point out on just the first line, and keep in mind, this statement only considers the fuel tax and the use fees. You will note that just Federal tax alone, the cost increase will absorb for 1982 to 1984 in the neighborhood of 91-percent increase, assuming there is no repealing legislation. That's based on a 4-cent Federal tax in 1982, and a 9 cent tax in 1984 under the act.

I have also included in another column showing what the increase would be under the House and Senate version would come to $2,400, or I think that's 12 cents increase, a 3-cent increase or 12 cent total in 1984, and I believe that goes to 5 cents total in 1985.

You will see after the State, and this is the State of Idaho, of course, combined with the use fee, it would produce almost a 3-cents-a-mile increase in cost; whereas, the Senate and House version would be somewhat less, still a very high increase, 61 percent.

And I might add that these costs do not include State prorations, licensing registration, nor any of the ton-mile taxes.

Additional tax increases in the act which were less well publicized were the various changes on excise tax. Figure 2 illustrates an example of those increases on a one-time purchase.

FIGURE 2.—EXCISE TAX

	STAA 1982	
	Before	After
New truck purchase	$6,500	$7,800
Trailer	3,500	4,200
Tires (18 each)	228	540
Truck parts and accessories	400	0
Lube oil	5	0
Total	10,632	12,549
Increase (18 percent)	....	1,917

Mr. KAUFMAN. You will note here, I have just listed it before and after, if you were to purchase one item of each of these, a new truck purchase, a trailer purchase, tires alone you will see it went from $228 to $540 on January 1 is what we are faced with, even though the truck parts and accessories of 8 percent was eliminated, it was a somewhat very minor portion as was the lube oil.

So you will notice the total increase on the excise tax portions alone amount to almost $2,000 a year or about an 18-percent increase.

While these examples are rather simplistic for illustration purposes, it does illustrate the escalating cost of trucking. For example, a pro forma indicates this legislation will increase our operating costs, just on our trucks, by over $350,000 annually.

Assuming other for-hire carriers we are currently using, pass their increases on to us, we estimate the total impact to exceed $2 million in 1984, and I seriously question whether all the carriers will be able to pass on these increases.

In our opinion, these increases will cause considerable hardship for the motor carrier industry which is already suffering from the new competitive climate of the Motor Carrier Act of 1980 and a nationwide recession.

The second issue, productivity gains experienced by the industry from the increased truck size and weight provision of the act.

The Simplot Co., will gain little by the way of productivity improvements through increased truck size and weight provisions. In marketing our products, we find only a few States that prohibit the maximum weight of 80,000 pounds. Conventional equipment allows us to load those maximum weights without changes in lengths. The increased cost of the special truck tax far outweighs any increases in productivity gained through the legislation.

The last issue I would like to comment on is the congressional proposals to alter the act.

As I have indicated, we strongly support both House 2124 and Senate 1475 as a compromise. It is reported, and I think we established this earlier by the ATA, that this modification to the bill will raise $71.6 billion over the next 6 years, which is only slightly less than the $72 billion proposed by the Surface Transportation Act for that same time period.

Both bills will increase fuel tax, both the House and Senate, will increase fuel tax up to 5 cents per gallon by 1985. However, we feel that the pay as you go system is far more equitable and avoids the up front payments of use taxes.

The new fuel tax legislation combined with the excise tax represents substantial increases to the motor carrier industry. However, we do recognize if we are to have a well maintained highway system on which to operate our business, it must have proper funding.

We appreciate the opportunity to express our opinion and seek your support of our industry. Thank you, Senator.

Senator SYMMS. Thank you very much for an excellent statement and some good illustrations.

Hatch?

Mr. BARRETT. Thank you, Senator.

STATEMENT OF S. HATCH BARRETT, PRESIDENT, TREBAR, INC.

Mr. BARRETT. I am Hatch Barrett, president of Trebar, Inc., which operates three truck dealerships, a leasing company, and a rebuild and parts operation.

Our three-truck dealerships, two of them sell products over 33,000 pounds, one sells a product under 33,000 pounds, so we think we can address some of the inherent inequities in the Surface Transportation Assistance Act of 1982.

We do not begin to say it is all bad. There is some good in everything, and there is some good in this act.

I do not oppose what I have heard here today about further studies; although, I wish these would have been done prior to the enactment.

If these studies are granted, and time is extended or considered for these, and I, too, think the implementation of the Federal use tax should be extended, also.

I was a little amazed at testimony earlier today in opposition, or maybe not opposition, but at least not totally supportive of the diesel differential tax, and yet support of a weight-distance or ton-mile tax. A method of collection is extremely more difficult in weight-distance or mileage taxes than the fuel-tax collection.

On the contrary, there is a significant difference on fuel consumption between the lighter vehicle and a heavier vehicle. An example of that is the products we sell; we had a 10,000-GVW vehicle, that averages, and it is a diesel engine, averages 18 miles per gallon.

Senator SYMMS. How heavy a truck is that?

Mr. BARRETT. 10,000 GVW; in other words, it's rated at 10,000 pounds carrying capacity. That truck fully loaded averages in the range of 18 miles per gallon.

We also have a truck that we merchandise that is less than 33,000 pounds, in the 26,000-pound range. That truck will average between 8 and 10 miles per gallon.

Our over-33,000-pounds vehicles carrying up to 100,000 pounds, plus gross, are averaging about 5.5 miles per gallon at the optimum.

There is a considerable difference in weight and fuel consumption that is relative, and there is a difference, so I think the diesel differential tax is equitable.

Now, I will get into my prepared statements, I am sorry I regressed.

Senator SYMMS. Let me ask you one question while we are on that: I should have asked it of some of the earlier witnesses, but you have the experience to answer this. I have long opposed the 55 mile an hour speed limit, but there is not much support for that position, I might say, even in this committee, even the western Senators do not agree that the 55-mile-an-hour speed limit should be changed, but what's the impact to the trucking industry, not only in terms of time, but in fuel economy if trucks were allowed to run, say, 65 in stead of 55, is there any change on that miles per gallon?

Mr. **Barrett**. Speed is a definite factor in the cost of operation, and fuel consumption, Steve, and I would support not necessarily the 55-mile-an-hour speed limit for trucks, but it seems that the optimum speed limit for a heavy truck, at least, is about 60 miles per hour.

The key to fuel consumption is the revolutions per minute required by the engine or the power unit to move the load. The lower RPM engines today are considerably more fuel efficient than the engines of 10 years ago, and the reason being they have lowered the rpm's from 2,100 rpm's average to as low as 1,800 rpm's. It develops a more efficient powerplant to move a load, and as I say, they are actually moving heavier loads with these current state of the art engines, and we have increased the fuel efficiency dramatically, as high in many cases as 30 to 40 percent, and in some cases 50 percent.

Senator **Symms**. What's the typical horsepower of an on the road vehicle of, say, one of the big Kenworths that you sell, 400 horse?

Mr. **Barrett**. 350 horsepower is the most popular, and seems to be the most efficient. There is also a number of 300 horsepower and a number of 400 horsepower, but 350 is about average.

Senator **Symms**. 350 is about average?

Mr. **Barrett**. That's right.

Senator **Symms**. Go ahead.

Mr. **Barrett**. Before, during, and after enactment of the Surface Transportation Assistance Act of 1982, the administration and more particularly, the Department of Transportation touted the funding provisions as fair and equitable. I ask to whom? Certainly not the trucking industry.

The act discriminates and penalizes heavy trucks, hence the trucking industry will suffer economic hardships, and some may not recover.

Such will force the industry to increase rates, thus decreasing its ability to compete with other modes of transportation, the consequences of which are increased costs to shippers, consumers, and increased inflationary pressure on the economy.

Some of the examples of what the DOT claims to be fair and equitable:

Imposition of use and excise taxes on trucks with a GVW rating of 33,000 pounds and over, exempting all other vehicles.

Repealing excise taxes on all parts, accessories, and tires while increasing the tax on tires used by vehicles with a GVW of 33,000 pounds and over.

Taxing this specific group of vehicles regardless of how much they use the highways, and this seems to be the key point today, and one that I think is extremely important, we have vehicles in our short-term rental fleet with a utilization factor of less than 60 percent; therefore, we will be paying 40 percent more than an operator with 100 percent utilization. This can also be depicted in miles traveled, but I refer to utilization for simplicity purposes.

In dollars, this means our rental rates will have to be increased an average of $200 per month per vehicle to recover the use tax alone, or approximately 12 percent.

Another sidelight there, Senator, is that when it was brought to light today, the truckers will, in fact, have to reduce their fleets, use their trucks more efficiently, which is not all bad, run them more miles, which means that there will be fewer trucks sold, and I don't think that's good for me or the economy.

Senator SYMMS. Not at all good for the President's economic recovery program, I am sure. I think that's a point you need to make over and over again.

Mr. BARRETT. Requiring owners of these vehicles to pay in advance for anticipated future use of highways, while owners of vehicles less than 33,000 pounds pay as they go, so to speak, and this is going to be a tremendous cash drain on the industry, and I can speak firsthand on that, too. We have 20 trucks in our short-term rental fleet, that's a $35,000 bill up-front. That's in full implementation of Federal use tax, and I am referring there to just the use tax, not the excise taxes or any of the other taxes.

If there is any tax that is fair and equitable, I have yet to see it; however, taxes that are based on use, and paid accordingly, come about as close as we are going to get, and the industry supports that.

Therefore, I do support Senate bill 1475 and House bill 2124, and I urge your support, Senator. Our industry simply cannot afford the punitive use and excise taxes contained in STAA of 1982.

And while you are at it, and this probably strikes closer to home than anything in the bill as far as a truck dealer is concerned or any heavy equipment dealer, I encourage you and your colleagues to look long and hard at the act's provisions for the collection of excise tax on new vehicles and enforcement thereof. I predict that unless drastic changes are made in this area or the tax is repealed and/or replaced, the highway trust fund will lose millions, possibly billions, of dollars.

There is absolutely no way the government can police thousands of dollars collecting this tax. Bankruptcies, fraud, outright theft, and human errors will run up a staggering sum. Add to that the tremendous cost of auditing, enforcement, et cetera, and you can see the makings of a money-eating monster.

As a taxpayer, I deplore this unnecessary waste of time and money so typical of Government's solutions to our problems.

As a businessman, I resent further Government involvement in our business, which being tax collectors exposes us to.

Furthermore, we are frankly providing as many free services for the Government as we can afford, we don't need any more.

Senator, I commend you for your genuine interest in the welfare of our industry, and the already tremendous support and help you have given us, and I encourage you to make every effort possible to correct the gross inequities contained in STAA of 1982. Thank you.

Senator SYMMS. Thank you for a very good statement in addition to your extemporaneous statements, they were excellent.

I believe what is going to happen is there will be a major move made after the reports are completed and filed in January of 1984. I think that the appropriate committees will hold some hearings in Washington on trucks. The Senate Finance Committee, the House Ways and Means Committee, on the taxation of trucks, should address that question, and what you are advocating is, of course, getting down to putting more of the tax on fuel so it's pay as you go.

You also mentioned the excise tax portion, and I asked that question earlier this morning if there is a problem with respect to Canadian trucks sales. Have you run into that where people go to Canada to buy the same trucks that you might sell in Boise, and then just drive them back across the line through Bonners Ferry, or something?

Mr. **Barrett**. Absolutely.

Senator **Symms**. How widespread is that practice?

Mr. **Barrett**. In 1980 to late 1982, we know of 150 Kenworths that came into Texas from the eastern part of the country that way.

Senator **Symms**. Came out of Canada?

Mr. **Barrett**. Out of Canada, but you have got the same problem in Mexico. Just recently, as early as last year, had 25 units come out of Mexico and California.

Senator **Symms**. How much is the sales tax? You mentioned those numbers, but say on one of your big highway tractors, did someone mention $12,000? Ray, you had that.

Mr. **Kaufman**. I had the figures. It's 10 percent. I figure just a standard truck unit like we buy before the act was $6,500, and now it's $7,800; that's based on a $65,000 power unit. That doesn't include the trailer, which would take it up to almost $12,000.

Senator **Symms**. Normally, how many trucks would you buy at a time with a company the size of Simplot's?

Mr. **Kaufman**. Not as many as Hatch would like us to buy. If you are going to retain a ratio of say a 6-year-old truck, you have to replace about 17 percent of your fleet every year to maintain an average age of 6 years, so in the neighborhood of between 15 trucks and 20 trucks a year.

Senator **Symms**. What kind of a disadvantage does that put the little owner/operator out there that has got two or three, four trucks with respect to the price that he can buy one for. Say somebody decides they are going to run their own trucking company and truck their own cattle, potatoes, or what have you, where they are not buying as many trucks, does this excise tax impact them more or less, or how does that work out? If they have to pay more money if it's a percentage base, surely if you buy five trucks, you can get a little better price advantage than if you buy one, can't you?

Mr. **Kaufman**. I don't think so, and certainly Hatch can answer that better than I can. We have priced both. We have had places at points in time where we just bought one vehicle for say a replacement in an accident versus buying five, and there is not that much of a break on a volume purchase. I think the competition of new trucks is very keen, and I think it keeps the price fairly well competitive. That would be my observation at least.

Mr. **Barrett**. There would be some differential, particularly with the new law, because the excise tax is based on the selling price, not the manufacturer's cost.

Senator **Symms**. That's the point I am trying to get at, right. It's not on the manufacturer's price, but on the selling price.

Mr. **Barrett**. So there is some profits there that he is being taxed on. We do sometimes make a profit. It's built into the pricing.

Senator **Symms**. So in other words, one of the disadvantages of this, in terms of the way this tax is now, is the fact that it is based on the selling price instead of the manufacturer's price?

Mr. **Barrett**. That's true.

Senator **Symms**. The manufacturer's price would be more equitable to everybody involved, because then it would be on the factory price, and that's it.

Mr. **Barrett**. That's the way it used to be. It was easy to collect, because you maybe had 24 major manufacturers of truck and trailer equipment in the United States that collected those moneys and remitted them to the Government. Today you have got so many people out there, I don't think the Government has any idea who is collecting taxes, the excise taxes.

The other problem with excise tax, and although I don't even like to discuss the ton-mile tax, there has got to be a use tax that is equitable and fair. Excise taxes should be done away with. It costs the Government money. It costs the user money. It costs the consumer money.

The Government lets the truck operator write that money off, depreciate it, that expense, that's tax dollars that are wasted. There's got to be a better way to collect it.

Senator **Symms**. John, your wife does your accounting, you say, and manages your office for you, would she share what Hatch is saying with respect to filing all these forms for the different kinds of taxes? You mentioned in your testimony 10 cents a gallon.

Mr. **Tolliver**. There's quite a problem, basically not so much with this excise tax, but the thing I mentioned was in the various States that you run in, each one of them had a different format, a different way of collecting their money, and they all got about the same amount of money coming to them, but it takes a tremendous amount of work, especially in a small office where one person runs the entire office. It takes up a tremendous amount of her time just preparing the various forms and statements as necessary.

Senator **Symms**. How about permit problems when you go through the various States?

Mr. **Tolliver**. Well, we don't run into a permit problem, although we have to buy an apportions license for all the States we run in.

One of the things that I objected to, and that is you get an authority from the Federal Government to haul in various States, and then you have to turn around and pay each one of these States that you are going to run through, whether you have the authority or not in that State, you have to pay them a registration fee.

For instance, we had a truck that went through Missouri. We have no authority in Missouri as such, but we had authority to go from a point beyond Missouri back into Idaho, but Missouri we had to cross. We didn't have an apportioned license with Missouri, didn't even think about it, and we didn't have anything registered there, and they wanted to tie the truck up for 2 weeks while we straightened all this up with them.

And we said, well, if you are going to do that, we will drive across anyhow, so they gave us a permit to go.

You see, you get involved in each State in its own little feasting. You have quite a problem with them, especially the small operator.

Senator SYMMS. I might just interject that one of our first witnesses today was Les Lamm, who is the Deputy Director of the Federal Highway Administration.

Les, shortly after the passage of the Surface Transportation Assistance Act, I had a conversation with Ray Barnhart in this general area. What progress has been made for the Federal Highway Administration to provide some leadership to the States to simplify this, or have you made much headway on that yet?

Mr. LAMM. We are still working on it. What Ray was talking about, it's an exercise in which we are required to report to Congress under section 19 of the 1980 Motor Vehicle Deregulation Act, and we have submitted that report.

It suggests there be much more in the way of productive gains in the trucking industry if we could simplify the paperwork and the splitting up of taxes due from State to State over the current practice.

We have been working with motor vehicle administrators and with tax licensing officials in the States, and they while supporting it on the surface, would be very reluctant to get anything started that would jeopardize their tax collections in the early year, so it's going to be very difficult for us to ever get anything done.

A question we are asking ourselves right now, this is Dole and Ray both, is whether we want to talk to Congress about authorizing this or requiring it legislatively, or whether we continue to work on a voluntary basis with the motor vehicle and tax administrators.

Senator SYMMS. Thank you. Do any of you have any other comments you want to make?

[No response.]

Senator SYMMS. I thank you very much for excellent testimony.

The next panel is Richard Bushnell, traffic manager for Clover Club Foods, Glenn Compton from Compton Transfer and Storage, Robert Kafka of KMC Transport, and Gary Moss of Motor West Transport. Would you please come forward.

Mr. Bushnell.

STATEMENT OF R. BUSHNELL, MANAGER, TRANSPORTATION DEPARTMENT, CLOVER CLUB FOODS CO.

Mr. BUSHNELL. I appreciate the opportunity to speak with you today.

My name is Richard Bushnell. I am manager of the transportation department of Clover Club Foods Co., a potato chip and snack food manufacturer.

Senator SYMMS. We all ate potato chips for lunch today.

Mr. BUSHNELL. I hope you did.

We are based out of Kaysville, Utah.

Presently, we operate 22 over the road tractors running approximately 124,000 miles per year.

I am also responsible for a fleet of 245 step-van route delivery trucks. They are about the 10,000 GVW range.

Our operation covers the 12 Western States and part of west Texas from the Canadian border to the Mexican border.

In Idaho, my operation encompasses 12 warehouse locations that we have here. We operate six tractors. We contribute to Idaho about 10 percent of our total fleet miles, and tax liability that we have generated by that 10 percent is $29,400. That's those six pieces of equipment as well as the other tractors running through the State of Idaho through Washington, Oregon, and Montana.

I am also presently the vice chairman of the energy committee for the Private Truck Council of America. The Private Truck Council of America is the Nation's only independent trade association whose primary concern is that of representing the interests of all private carriage operators.

I would like to focus my testimony on several critical trucking problems: One is the manner in which the DOT is implementing the size and weight increases as legislated in the Surface Transportation Assistance Act of 1982, which naturally must include reasonable access.

No. 2, the effect of the STAA as it relates to the use of dromedary boxes on my operation and of others in the food industry, as well as the moving and storage industry.

No. 3 is the various proposals to alter the truck use fees, and the presentation of the Private Truck Council of America's proposal for a possibly more equitable tax structure for reaching the revenue needed.

So on our issue 1 is the manner in which the DOT is implementing. With the passage of the Highway Act, although substantially higher taxes were bestowed upon the trucking community, Congress promised to offset the taxes with sorely needed productivity gains. These gains were to be coast to coast, to include the 120-inch-wide trailers, double trailers coast to coast, establishment of a route system, 80,000 pound in all States.

It has taken DOT longer than I believe most people anticipated to realize these significant benefits. It's even taken long enough that most of the people in the industry have been a little reluctant to order new equipment. I think that has started to change a little bit now.

There has been no standard for reasonable access for these new and productive trucks. There is no final listing of which roads must accept these new dimensional vehicles. As I understand through the testimony and your comments, Senator, this is close and several weeks possibly.

One of the things that has caused for Clover Club Foods is our vehicle registered 80,000 pounds. Normally, we would have paid the $240 of highway taxes. Now it's going to cost us $1,600 per vehicle. We have really not seen any productivity relief as a result of these higher taxes for our company.

The 22 truck fleet, the old tax liability would have been $5,280, and with the new tax liability under the STAA provisions, we will pay $35,200 annually, that amounts to $30,000 right out of my pocket that I have not received any productivity gains from to offset that loss.

The whole productivity goal could be pushed even further out of reach if the new dimensions are not allowed reasonable access. That key phrase is critically important for the simple reason, that if we cannot reach points of business without costly breakup points and extra running around to shuttle our trailer equipment back and forth, we will be spending money in an area that will take away back what we have gained by having longer and wider equipment.

Reasonable access is vitally critical and important to the productivity of the STAA.

Issue No. 2, the dromedary boxes. I have attached to the report, Senator, quite a little stack of pictures. The first two sheets are ones that I refer to here in regards to the dromedary boxes. Graphically, I have illustrated the dimensions of the cab-over tractor with a dromedary box as compared to a conventional tractor without the dromedary box.

As you can see the second sheet of pictures indicates a picture of each type tractor and a drawing of each type tractor. The dimensions, wheelbase, height, these type things that would so indicate that the turning radius or even the wheelbase of the conventional as compared to the cab-over with the drom box can be speced out to be the same.

In these particular cases of the pictures that I have here, these are two existing units we have in our fleet, and the wheelbase is the same on the conventional tractor as it is with the cab-over and the drom.

My concern here with the drom is that there is no difference in the length or the turning radius necessarily if you spec them out properly.

The use of the dromedary box as outlined in the STAA Act as a non-cargo-carrying power unit changes the status of our power units from being allowed to operate with two trailers limiting them to operate with only one trailer, while other power equipment without the dromedary box, and possibly the same wheelbase and turning radius, can operate with more than one trailer.

We feel that this is an area in the law that could best be changed to provide for a cargo-carrying device to be allowed.

Senator Symms. In other words, if you choose the picture that you have got here of the clover club truck with the 93-foot overall, 93 foot 10 with the drom box and a trailer, you can't put anything in the drom box if you use that configuration; is that it, according to the definition of the law?

cargo.

Mr. Bushnell. Well, from the definition it should not be used for cargo.

Senator Symms. Ever?

Mr. Bushnell. Well, it's not very explicit. It says cargo carrying in quotes.

Senator Symms. What's the purpose of it if you don't put cargo in it?

Mr. Bushnell. Probably packaging materials, tarps, straps, long hauling devices, this type of thing is all I could see that it could possibly be used for. We don't use those items or wouldn't need it for those items.

Our primary purpose in having a drom box to carry our return knocked-down cardboard cartons on the return trips, or we can utilize the trailer space for return loads.

We also carry product out in the drom box. It's extra space to use for cargo.

If we were to not be allowed to use that, we would have to chop down the frames of the tractors, eliminate the drom box itself, which is fairly costly to us. I realize this is unique in the weight of the industry. All truckers do not use the drom box, the dromedary. The food industry seems to be one area that has an awful lot of dromedaries, the moving storage industry also.

Senator **Symms**. As long as you don't go over the weight, I can't see why it would make any difference, but you are thinking that your interpretation of the law is if you stay under the length and weight specifications, I wouldn't think it would matter what you had in it.

Mr. **Bushnell**. That's what I would hope. The way I am reading the law, it indicates if you have a cargo carrying device mounted on the trailer, you are subject to being listed or defined differently so you don't pull one semitrailer.

Senator **Symms**. Les, do you want to comment on that?

Mr. **Lamm**. The comment I would make at this point, Senator, he is correct, there is a little notice provision in the Surface Transportation Assistance Act that would appear to eliminate the use of those dromedary boxes for any sort of cargo-carrying purposes.

During the early rulemaking on the entire size and weight portions of the bill, we heard a lot of testimony on that. And when we come out with the notice of the proposed rulemaking, the same one that takes up reasonable access will also propose doing something about the special configuration vehicles.

Senator **Symms**. OK, thank you. Go ahead.

Mr. **Bushnell**. I appreciate that.

Senator **Symms**. I thought it might be appropriate that he comment on that.

Mr. **Bushnell**. I appreciate that.

In the statement that I have prepared here today, I thought that perhaps a provision should be made to allow 8-foot or less in length, be categorized as noncargo carrying units. In a tractor with a larger than an 8-foot cargo box, this might be a good break for it is the 8-foot.

I think one of the things that concerns us at this point is you don't want to leave this open ended, because there are some operators out there with 20-, 24-, 30-, 36-foot cargo boxes mounted on their tractor, and they have different type of apparatus for fifth wheel operation, stingers, one thing or another.

In these pictures that we have enclosed here or included, you can see that the fifth wheel is standard size and standard type fifth wheel, so they are not into anything different than what would normally be on a tractor, but I would suggest then that there would be some limit as to what length of a drom could be, and still be allowed to pull more than one trailer.

My suggestion here in the statement is the 8-foot breaking point, but there may be more equitable upon study.

Issue No. 3 that I talked about, I will go back to this point, I strongly urge, Senator, that you do everything within your power as a Senator concerned with the plight of trucking and commerce, and as a member of the powerful Finance Committee, to allow us the necessary productivity increases, to withhold funds from the States that many persist in trying to curtail the trucking industry, and to work with the industry to adjust the size of the large tax increase.

When the lameduck session drew to a close, Senator Boschwitz put forward an alternative, which Private Truck Council of America supported, and that had a cap of I believe $1,200 in 1986.

The Senate after reviewing that proposal thought enough of the idea to vote favorably on it, 95 to 1.

As time ran out in the House, they were in a mood to go home and not in an overwhelming mood to compromise, so they blocked the proposal from moving on.

When the new session began, the good Senator from Minnesota reintroduced the $1,200 cap proposal as S. 343. Private Truck Council of America endorses such proposal, and hopes that steps can be taken to see its enactment.

However, as political realists, we are aware that any proposal that is to pass must be very close to being revenue neutral. Must raise the amount of money that is outlined and needed.

Another bill that is receiving a lot of interest is H.R. 2124, which we have heard a lot about, the diesel differential proposal, and I must state that the Private Truck Council of America and myself are opposed to that.

First of all, a 5-cent diesel differential will not raise sufficient revenues which is necessary to keep the proposal revenue neutral. In order for the bill to be a wash, the 5 cents would have to become closer to 7 cents increase in diesel fuel tax. A 7-cents-a-gallon tax would add about $35,000 to my fleet.

Furthermore, the diesel differential places a burdensome tax on the previously exempt categories of trucks below 33,000 pounds as outlined in the STAA.

I also fear that under H.R. 2124, there will be the temptation to raise the tax a penny or two when the coffers need an infusion of revenue.

Finally, a pure diesel fuel tax would amount to the lighter vehicles subsidizing the heavy ones. Most of the truck population generally exists beneath the 55,000 pounds level with only a very small percentage in the 70,000 pounds and above area. These are all according to the Private Truck Council of America study of our membership, and I have nothing here to back that at this time.

As I mentioned earlier, the Private Truck Council of America is a realistic group and has been working on a compromise proposal that comes very close to revenue neutrality.

They tell me, and I was hoping that I could present this proposal to you today, but they tell me that it hasn't cleared the executive committee at this time, and they would like to submit that to the record probably in about 1 week is what they are telling me today. (See p. 207.)

The proposal is a compromise proposal that would use a combination, as I understand it, Senator, would be part diesel differential tax, in other words, would be a smaller amount of tax on the diesel fuel and it would also be a highway tax portion of it. So it would be kind of a compromise of the two popular bills that are in front of us.

That pretty well concludes my comments at this time, and I appreciate your time, Senator, and the opportunity to present this to you, thank you.

Senator SYMMS. Thank you very much, and I will look forward to that proposal the Private Truck Council is coming up with, because I have to say that I have done some work on that myself to try to find some happy meeting ground between the Wallop proposal and the Boschwitz proposal, either one of which would be an improvement, from a trucker's point of view, than what we have now; however, it might be that some happy meeting ground could be there.

One question I want to ask you about, you seem to think that the proposal in the Senate bill which puts it all on the fuel tax is not going to be revenue neutral, what do you base that on? What transport association says that it is going to be revenue neutral?

Mr. BUSHNELL. I base that on what the Private Truck Council is telling me that they have run a study through the DOT. I guess the DOT's figures are from an old study of the 80,000 pounds tractor generating about 66,000 miles a year, and the Private Truck Council of America feels that that is low. They feel that some of these figures that they are using are from an older study, and that they will not actually generate the revenue that they anticipated.

Private Truck Council did put through the proposal that they won't let me talk about today, they put that through the computer at the DOT to find if it was revenue neutral, and it came out to $12.47 billion as opposed to $12.5, so it's right close to what they are looking for. I am hoping that it will be equitable to all concerned. I wish I could talk more about it, but I don't have those details at this point.

Senator SYMMS. OK. Thank you very much.

Glenn Compton. Welcome to the committee, Glenn.

Mr. COMPTON. Thank you, Senator.

STATEMENT OF GLENN M. COMPTON, PRESIDENT, COMPTON TRANSFER & STORAGE CO.

Mr. COMPTON. I am Glenn Compton, president of Compton Transfer & Storage Co.

I guess I am running this by you for the second time, Steve, but I thought that the committee ought to have it, because we are in the low end of the transportation business.

Our moving vans operate mostly in the Northwest, and probably will not exceed 25,000 miles per year. Our freight trucks operate in local cartage for the most part, and will turn from 10,000 to 15,000 miles per year.

That operation is our piggyback trailer on flatcar pickup and delivery, container on flatcar, overseas shipping, and virtually it's kind of like local cartage. I mean, our round trips are maybe 40 to 50, 100 miles round trip is a big one.

The chart below indicates the adverse effect of fixed use tax on a low mileage fleet. What I have attempted to show there is if you convert, the worse scenario is $1,900 by 1988 for the 80,000 pound truck. Although we are in local cartage, you still have to gross our trucks for these heavy weights.

So if you divide the $1,900, which will be use tax in 1988, by the amount of gallons consumed at the various mileage differences, 100,000, 50,000, 25,000, and 10,000, you see that that converts to a very, very dramatic number at 10,000 miles, you have got 95 cents per gallon added to our 5-cent tax is $1 per gallon of cost to the short haul carrier. Granted, you might raise your mileage to 12, but then somebody at 12.5 is going to be upset.

In any event, it is very clear that the low mileage carrier would much prefer to see the entire tax for highway use placed on the price of fuel. Keep in mind that the 10,000-mile unit, which is paying the equivalent of $1 per gallon, is very often not using the Interstate Highway System.

If the purpose of the tax is to pay according to use, the heavy trucks turning the most highway miles will pay their fair tax only if the entire tax is placed on the price of fuel.

It is our understanding that H.R. 2124 would accomplish this fair tax method, and we would urge your support.

Does anybody have any problem with that exhibit?

Senator SYMMS. I think that is pretty clear, 95 cents a gallon is a pretty steep tax, I have to say, and there is quite a few people in your business that would come in that category.

Mr. COMPTON. Yes.

Senator SYMMS. You could almost afford to buy another truck, and just run it half the time for that price, and get it exempted. It would be about $1,000 a year, so I guess it wouldn't quite pay for it.

Mr. COMPTON. I thought you were going to come back at me the other way, why don't we have so many trucks.

The actual fact is, you gage the number of pieces of equipment you need on the service requirements. And right now we have got three vehicles full-time, and one vehicle part-time in that freight delivery, pick up and delivery. There is just no way that you can utilize that equipment to a greater degree, in other words, to get the mileages up by cutting down the number of vehicles, and yet that seems to be about what they will turn, somewhere between 10,000 and 15,000.

Senator SYMMS. Thank you very much. OK. Go ahead.

STATEMENT OF ROBERT KAFKA, KMC TRANSPORT, INC.

Mr. KAFKA. My name is Bob Kafka. I own and operate KMC Transport, Inc. out of Caldwell, Idaho.

We are a common contract carrier hauling recreational vehicles out of Idaho to the 11 western States, and bringing general commodities from those States back to Idaho.

I am going to address items 1, 2, and 3 on your published list of committee interest priorities.

Item 1: The 5-cent-per-gallon fuel tax is costing me $6,616 per year. I cannot raise my rates—they have been where they are since 1980—competition won't allow it. If I were to raise my rates one-half cent per mile, I would lost business. I simply cannot charge it through, and there is no relief in sight.

I would like to address one area which Senator McClure told me that he had no idea if anyone had even thought of.

KMC Transport had a gross margin of 2.6 percent last year. We paid 10 percent of that in income taxes to the great State of Idaho.

This year, while fuel costs have been down slightly, all other costs have been up slightly, so that the 5-cent-per-gallon fuel tax will still have the same effect on bottom line that it would have, had it been in place last year; that is, our bottom line will be about 1 percent.

KMC Transport will pay almost no Idaho income tax this year on a gross margin of 1 percent. Multiply that diminished income tax revenue to Idaho by all the trucking companies in Idaho, and see what affect that has on our great State.

Now Idaho will come back with a heavier tax to make up its losses on me, and us, and pretty soon some of Government's golden egg called trucking will no longer be in existence.

KMC Transport hasn't even come to grips with the use-tax issue. That's so unbelievable as to be in bad dreamland somewhere when viewed from my 6:30 a.m.-to-6:30 p.m. desk at KMC.

Item No. 2: What productivity gains?

We run in the West where, by and large, we have not been saddled with the anachronistic views of small minds east of the Mississippi.

We run stinger-steered, truck, and semitrailer combinations.

What kind you say?

That's the same response I get when I talk to authorities in California, Arizona, Oregon, Colorado, or wherever, to find out what their latest interpretations of their views are with regard to lengths.

I have been paying the fuel taxes for 5 months. The States have been getting their share, I presume, but at this end, the producing and paying end, I can't even build new equipment. The Feds say I can to satisfy my customers' all-knowing attitude about the new productivity availability because I can't get a sensible consensus from the States which have problems understanding and standardizing their own laws, let alone federally dictated laws.

It's difficult to understand how it is fair for decisions on the taxes in a new law to be decided and effective without real representation, but the productivity gains decisions must have representative participation, be considered and reconsidered to death, or for about 1 year, by my estimate, before they are settled and effective.

Item 3: I think they all have one basic fallacy.

With all the rhetoric and used oats aside about the falacious DOT studies regarding truck affects on the highway, and trucks' fair share of road costs, the Government is simply trying to tax the populace for enough more inflated dollars to maintain the highways in the fashion that they were originally designed to be maintained, plus about 50 or 100 pork barrel projects totally unrelated to any highway matters, only it's trying to have the public taxed through freight companies so the public doesn't realize they are being taxed again.

So what if the marketplace won't allow the freight companies to raise prices for a while to cover the additional taxes, and a bunch of them bite the dust, at least the public won't know they are ultimately being taxed.

I say put a special sales tax on freight. Let the freight companies do the usual tax collecting chores and take a little out for collecting expenses and pass it through. That's really what you are trying to do.

By the way, railroads are freight companies, too. If all freight was taxed, we might even get some decent railroad crossings on our highways. Thank you.

Senator **SYMMS**. Thank you very much, Bob, for a very direct statement.

Mr. **KAUFMAN**. You said 5 minutes.

Senator **SYMMS**. At least I understand what you said.

I wanted, before the three of you leave, to get this straight. Richard, you said you did not want a diesel differential.

Mr. **BUSHNELL**. Do not want a diesel differential.

Senator **SYMMS**. Is that correct?

Mr. **BUSHNELL**. That's correct.

Senator **SYMMS**. Do you agree with that, Bob?

Mr. **KAUFMAN**. No. I realize my comments about a tax on freight would be a little difficult for the Government to handle.

Senator **SYMMS**. I was pretty sure that I didn't have to ask Glenn what he thought of that.

Mr. **COMPTON**. No.

Mr. **KAUFMAN**. The problem, as I see it, whatever manner of tax you come up for the short term, be that 2 or 3 years down the road, most of us are not going to be able to recoup in our costs, that's just a fact of life, because of the economy the way it is, so we have to pay it. There is nothing there to pay it with, we operate in the red.

I would much prefer to pay it as I go in the diesel differential tax than any of the other proposals that are presently before the legislature.

Senator **SYMMS**. Why is it you are opposed to that, Richard?

I guess I should ask Glenn, you favor diesel differentital, don't you, Glenn?

Mr. **COMPTON**. I do, and of course the biggest factor is I do think it would be collected. I don't think that all of your other taxes are being collected where it is volunteered to pay, I am just sure they are not.

Senator **SYMMS**. Would you say that again for the record and for me why it is that you would not want a diesel differential.

Mr. **BUSHNELL**. I guess the basic reason is because, No. 1—well, two reasons, I have got.

Senator **SYMMS**. It would be 7 cents instead of 5?

Mr. **BUSHNELL**. I think it's going to be higher. I think it's going to have to be higher than the 5 cents, which may or may not affect it. We still have to raise so much money.

If it's 7 cents, that's fine, if it's 8 cents, you know, whatever. We still have to raise so much money. It's listed as 5 cent diesel differential.

I guess my first opposition is I don't think it's realistic based on the figures that I have been given.

Second, the compromise proposal that I have seen briefly outlined by the Private Truck Council seems to serve better all interests of the trucking industry, and that compromised system is a form of diesel differential; in other words, I think it's around a 2 cent tax rather than 5. It also has a highway use tax in there, and various categories, and various levels. It does raise the necessary amount of money.

So I guess what I am really shooting here is that a compromise I like better than a straight diesel differential tax. Not that I am totally opposed to diesel differential. I think that is probably better than the straight highway use tax.

Senator SYMMS. Well, I want to thank all three of you very much for your testimony. We appreciate it greatly.

Next will be Don Jensen, Harry Hanson, and M. W. Renfro, so if you gentlemen would come on up.

While this last panel is coming up, is there anyone else that is here today that wishes to present testimony that was not on the witness list? If there is someone here, if you would give your name to Rusty from our staff.

You are?

Mr. HANSON. Hanson.

Senator SYMMS. Harry Hanson. I guess your other two partners are not here, so go right ahead, Mr. Harry Hanson.

STATEMENT OF HARRY HANSON, ASSOCIATED LOGGING CONTRACTORS

Mr. HANSON. My name is Harry Hanson. I am an owner and president of a small logging company consisting of five logging trucks, which is necessary for the logging industry.

A new Federal excise tax puts a burden on our operation, which is an up front tax.

We run a short season and very erratic in our days that we work. In the last couple years, we have been running from 90 to 150 days per year.

Senator SYMMS. How many miles do you put on your trucks on the highway?

Mr. HANSON. We run from 20,000 to 50,000 miles per year, and I would say about 30 percent is off highway roads.

Senator SYMMS. So your least mileage is around 15,000?

Mr. HANSON. Yes.

Senator SYMMS. So you are well over the 5,000-mile exemption then?

Mr. HANSON. Yes; we are over the 5,000-mile exemption.

Senator SYMMS. That's pretty much true for most logging trucks, isn't it, they run more than 5,000 on the regular highways?

Mr. HANSON. Yes.

And then there is so much differential. In some years, you might run 50,000 to 60,000, and then in another year, like in the upper country and Long Valley area, you probably go about 10,000 or 15,000.

This year, we are probably going to run pretty close to 150-day season. Last 2 years, I don't think I worked 80 to 90 days in a season. So the up front tax is pretty large to find in that many days.

And then your off-highway roads could be more excessive, too, which at the present, there are quite a few logs coming on the freeway, which is unusual.

Senator SYMMS. Would you favor a 5 cents a gallon differential, and reduce those highway-use taxes?

Mr. HANSON. Yes. Definitely yes.

Senator SYMMS. Even if it went up to 6 or 7 cents?

Mr. HANSON. Yes. We think that the fuel tax would be the only way to go for us, definitely.

We have special equipment, this new weight law has no effect on us whatsoever. We can haul 80,000 pounds gross, and that's it. And there is no way to carry a back haul on a logging truck. There is no way to carry a back haul, so we dead head back all the time.

So putting this in perspective, I feel that the fuel taxes are more suited for our needs, definitely.

Senator SYMMS. OK. Thank you very much. Harry, you are here representing yourself, but do you think, and I am sure you know a lot of people that are also loggers, do you think that's pretty much what most of them would feel?

Mr. HANSON. Yes, I do. I have been past president of Associated Loggers. I was the president of Associated Loggers, and I have been pretty well around the State the last few years.

Senator SYMMS. Could you file for a rebate on the tax that you paid on fuel, that you burn off the highway?

Mr. HANSON. No. I file a 2290 in my operation, and I don't see any law that says I can file for a Federal tax refund. I thought it specified there that any licensed vehicle, you have to pay for the Federal fuel tax out of; is that right?

Chairman SYMMS. I may have to ask counsel. It indicates for farm operators; of course, that would be for tractors, for logging equipment, other equipment like that, you wouldn't pay it on that fuel. But on your actual trucks then as you are operating off road, you do pay the tax anyway.

Mr. HANSON. Yes. On the Federal fuel tax; yes.

And in the previous years, we have been paying our State tax by the mile, which would now be paid by the gallon, fuel tax, off road fuel tax by the mile, so I don't see any relief from that part of it either.

Senator SYMMS. OK. Thank you very much, Harry.

Mr. HANSON. Thank you, Senator.

Senator SYMMS. I wish to thank all witnesses. The hearing record will be kept open for the next 30 days if someone wishes to submit testimony.

If there is no one else that wishes to testify, the Subcommittee on Transportation will stand in recess until 10 a.m. tomorrow in Coeur d'Alene.

[Whereupon at 2:55 p.m. the subcommittee recessed to reconvene at 10 a.m., August 23, 1983, in Coeur d'Alene, Idaho.]

[Statements and other material submitted for the record follow:]

STATEMENT OF
DEPUTY FEDERAL HIGHWAY ADMINISTRATOR
L. P. LAMM
BEFORE THE SUBCOMMITTEE ON TRANSPORTATION OF THE COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
UNITED STATES SENATE,
CONCERNING TRUCK SIZE AND WEIGHT PROVISIONS OF THE SURFACE TRANSPORTATION ASSISTANCE ACT OF 1982

August 22-23, 1983

I am pleased to be here this morning to discuss the provisions of the Surface Transportation Assistance Act (STAA) of 1982 which deal with truck taxes and size and weight standards for commercial motor vehicles. I will describe the impacts of the tax structure contained in the STAA on the trucking industry, discuss alternative tax structures, discuss the effects of the increased truck size and weight provisions of the STAA on transportation costs and on the condition of roads and bridges, and discuss the reasonable access provisions of the STAA.

Although the lump-sum heavy vehicle use tax is highly visible and it will increase substantially for the heaviest trucks, the tax provisions of the STAA will not have a drastic impact on overall operating costs of a typical truck. For example, for a large truck such as an 80,000 pound over-the-road, 18 wheeler traveling 100,000 miles per year, Federal highway user fees will increase from 2.4 cents per mile under the old tax rates to 5.5 cents per mile when all scheduled increases are fully in effect 5 to 6 years from now. The 3.1-cent-per-mile increase will amount to about 2 percent of the total operating cost that this vehicle is expected to have when the final increase takes effect. The 3.1-cent-per-mile increase is far less than the 15- to 20-cent-per-mile increase in fuel prices and is less than the 4.8-cent-per-mile increase that would be required if that vehicle were to pay its full share of highway costs. Cost increases for lighter combination vehicles will be less than for the heavier vehicles and taxes on single-unit trucks will be reduced. The tax increases contained in the STAA will be phased in over a number of years to make it easier for the industry to adjust to the change.

Because of the increased highway user fees contained in the STAA, we can look forward, for the first time in many years, to a major expansion in Federal-aid highway program levels. This expansion has already been reflected in FY 1983 Federal-aid apportionments. In the States of Idaho, Montana, Nevada, Oregon, Utah, Washington, and Wyoming, Federal-aid apportionments in FY 1983 totaled $835.9 million, a 35 percent increase over FY 1982 apportionments of $621.5 million. Our preliminary estimates for FY 1984 through 1986 show a continuation of increased apportionment levels, with these seven States receiving $948.3 million in FY 1984, $1,007.8 million in FY 1985, and $1,069.4 million in FY 1986--a 72 percent increase in apportionments between FY 1982 and FY 1986.

There have been nearly a score of bills introduced by members of the House and the Senate which propose various modifications to the tax structure that is contained in the STAA. The most commonly included item in these bills is a reduction in the increase in the heavy vehicle use tax contained in the STAA, the first phase of which is scheduled to take effect in July 1984. Many of the proposals would reduce the revenues going into the Highway Trust Fund, ranging from a 0.2 percent loss in 1985 to a 6 percent loss in 1985.

Alternatives to the tax on the use of heavy trucks, similar to those contained in the legislative proposals, are being reviewed and examined by my staff as part of a study which was mandated by the Congress in Section 513(g) of the STAA. We have already advanced that study's completion date by 1 year to enable Congress to consider alternatives to the tax structure in the STAA before the July 1984 effective date of the first phase of tax increases. Although our final report will be transmitted to the Congress in January 1984, we have recently released a working paper which reports on our initial examination of several alternatives to the tax structure contained in the STAA.

The working paper does contain some observations and preliminary conclusions regarding the acceptability of the alternatives which were examined, but I wish to stress that they represent a first cut, and that the primary criteria for acceptance were the retention of the amount of revenue contributions for the different vehicle classes as set by the STAA and the retention of the total tax revenue contribution as set by the STAA. Our focus is on improving the within-vehicle-class equity of the tax, particularly for low mileage vehicles. Other considerations included ease of payment, administrative feasibility, likelihood of compliance and problems of enforcement. As we continue our efforts to narrow the range of alternatives, these other considerations will begin to play a larger role in determining the acceptability of each alternative.

We are seeking comments on our approach and on our preliminary conclusions, and will make copies of the working paper available upon request. A public docket (83-8) is established to received comments and will remain open until September 30. In addition, the National Motor Carrier Advisory Committee will hold public hearings on the subject of alternative tax structures on August 30 in San Francisco and on September 14 in Washington, D.C.

The STAA made several significant changes in Federal law governing the weight, length, and width of commercial motor vehicles using the Interstate System and the length and width of vehicles using other qualifying Federal-aid highways. The use of vehicles with dimensions authorized by the STAA is expected to result in substantial savings in transport costs or productivity gains. Increasing vehicle dimensions and establishing uniform weight limits on the Interstate System increase the allowable tonnage and volume of freight (per trip) which can be carried. Resulting cost savings will initially accrue to motor carriers, but these savings will likely be passed along to shippers, receivers, and consumers due to the competitive nature of the trucking industry. While motor carriers in the West have been running doubles for many years, they will benefit from the truck size and weight provisions of the STAA. Interstate carriers will no longer be prohibited from running doubles nationwide and elimination of weight barrier States in the Midwest will reduce the cost of transporting goods cross country. The increased trailer length and width provisions of the Act will increase the cargo carrying capacity of vehicles and will benefit carriers throughout the country.

The major determinant of the productivity gains that can be realized from the STAA provisions, other than the characteristics of the vehicles themselves, is the extent of the Federal-aid highway system that will be designated by the States and the Federal Highway Administrator for use by these vehicles. While a major part of the productivity gains will result from use of the Interstate System alone, the addition of non-Interstate, Federal-aid highway routes will further add to the gains that can be realized by increasing the number of origins and destinations that can be served by larger commercial motor vehicles. Based on analyses conducted in conjunction with a congressionally mandated study of the effects of truck size and weight limit changes ("An Investigation of Truck Size and Weight Limits, A report of the Secretary of Transportation to the United States Congress pursuant to Section 161 of P.L. 95-599, the Surface Transportation Assistance Act of 1978") estimates made at the time of passage of the STAA were that productivity gains resulting from the truck size and weight provisions of the Act would range between

$4.0 and $4.9 billion (annual gains in 1985, stated in terms of 1985 dollars), depending on the extent of the non-Interstate, Federal-aid highway system that is designated for use by the larger vehicles.

If the STAA had not authorized increased highway program levels, the condition of highway pavements and bridges would have continued to deteriorate and this would have increased operating costs for trucks and other highway vehicles. The truck size and weight provisions of the STAA are expected to result in some increased pavement and bridge damage. Because a 48-foot long, 102-inch wide semitrailer combination unit is capable of carrying more cargo than a 45-foot long, 96-inch wide unit, and because both have a single steering axle followed by two tandem axles, a fully loaded, longer and wider unit will cause more pavement damage, as expressed by the number of 18 kip, equivalent single axle loadings (ESAL's). This increase in the number of ESAL's resulting from greater per vehicle loads will be offset to some extent by the fact that fewer semitrailer combinations would be required to carry the same amount of freight.

Comparison of a double-bottom combination vehicle with 5-single axles to a semitrailer combination with 5 axles and the same gross vehicle weight discloses that a double bottom imposes more ESAL's than the semi when traveling over flexible pavements and fewer ESAL's than the semi when traveling over rigid pavements. Thus, a shift to greater use of doubles could increase pavement damage on highways built with flexible pavements and reduce pavement damage on highways built with rigid pavements.

Because nearly half of the Interstate System mileage and a much larger portion of non-Interstate mileage consists of flexible pavements, increased use of doubles will result in some increase in pavement damage. To the extent that doubles attract traffic that had previously been carried by railroads, pavement damage would also be increased. As an offset to these potential increases in pavement damage, the increased cubic capacity of doubles means that fewer doubles than semis would be required to carry an equivalent amount of freight traffic. Based on the Section161 Study analyses referred to above, it is estimated that the additional pavement damage that will result from allowing doubles to use Interstate System and other FAP highways would range between $466 million and $542 million (annual costs in 1985, stated in terms of 1985 dollars), depending on the extent of non-Interstate mileage designated for use by doubles.

The Section 161 Study also indicates that bridge construction and reconstruction costs would increase slightly if doubles were allowed to run on the entire Interstate Sytem, but all the additional bridge costs were incurred in States that had Interstate load limits below those that have been established in Section133 of the STAA. We do not expect any significant changes in bridge costs in other States.

The increases in pavement and bridge damage resulting from the truck size and weight provisions of the STAA are quite modest when compared to the transport cost savings that the use of such vehicles can achieve. In addition, increased user fees contained in the STAA will allow highway funding to be increased to compensate for additional pavement/bridge costs that may be caused by larger commercial motor vehicles.

Section 127(b) of Title 23 U.S.C. provides that States may not deny reasonable access to vehicles of weights authorized by that Section between the Interstate System and terminals and facilities for food, fuel, repairs and rest. Similarly, Section 412 of the STAA provides that States may not deny reasonable access to commercial motor vehicles subject to Title IV of the Act (which includes length and width provisions) between the Interstate System and designated primary system highways, and terminals, facilities for food, fuel, repairs and rest, and points of loading and unloading for household goods carriers. The STAA does not define reasonable access nor does it offer any guidelines for defining what is reasonable. It is our intent at this time to allow the States to establish individual reasonable access provisions, and we are requesting comments on all aspects of the reasonable access issue, including the signing or mapping of reasonable access routes and segments, and the need to define terminal.

Thank you for the opportunity to appear. I will be pleased to answer any questions you may have.

TESTIMONY BY

DARRELL V MANNING
DIRECTOR

IDAHO TRANSPORTATION DEPARTMENT

BEFORE THE
TRANSPORTATION SUBCOMMITTEE
OF THE
SENATE ENVIRONMENT AND PUBLIC WORKS COMMITTEE

BOISE, IDAHO
AUGUST 22, 1983

Mr. Chairman and Committee Members. I am Darrell V Manning, Director of the Idaho Transportation Department, speaking on behalf of the Idaho Transportation Board and Governor John Evans. We are pleased that you are holding this hearing in Boise, and honored to present our views on the transportation issues you have identified.

When I last appeared before you, my Department, and most other state transportation departments were facing a double dilemma: our transportation systems were rapidly deteriorating; federal assistance was in jeopardy of being depleted. Through your sustained efforts in Congress, we are once again on track. At a critical juncture in the history of this nation's transportation systems you supplied statesmanlike leadership in subordinating personal and public dislike of tax increases to protect and preserve the huge investment that has been made in our transportation systems over the last 30 years. We sincerely appreciate that effort.

Enactment of the Surface Transportation Assistance Act of 1982 reverses a downward trend in federal investment in our nation's highways. Although revenues from this Act are anticipated to fall $29 billion short of needs by the year 2000, we are hopeful that refinements, such as those we will suggest in our testimony, will enhance the equitability of the Act and provide the money to bring our systems to standard.

We appreciate the opportunity to contribute to "fine tuning" the Surface Transportation Assistance Act of 1982, and offer the following testimony.

Issue 3: "Legislative proposals introduced by members of the House and Senate which would alter the tax structure of the STAA."

ADVOCATE NO CHANGE AT PRESENT TIME

The STAA provides adequate funds, in the short term, plus the elements of commitment and stability which have been lacking in previous federal Highway Acts. Based on the federal commitment, my Department proceeded in good faith, to request matching funds from the Idaho Legislature, to revise our programs for optimum utilization of additional funds, and to implement other provisions of the Act. If any of the proposals now before Congress to alter the tax structure will in any way contribute to destabilizing our revitalized programs or cause us to break faith with our own legislature, then they will obviously work against us. We believe, as do most states, that the act should be allowed to operate, as written, for a reasonable period of time before major alterations are considered, such as changes in the tax base. We welcome minor technical changes that will clarify the intent of Congress. However, we believe modifying either the revenue base, or distribution formulas are major changes that would have a unstablizing effect.

Several studies mandated by the STAA also will ultimately influence the assignment of user costs, and subsequently the tax structure. Proposed major changes seem premature without benefit of the results of studies currently being conducted by US DOT, Treasury Department and the National Academy of Sciences.

CONCEPT OF EQUITABILITY VIS A VIS CONGRESSIONAL PROPOSALS

If Congress intends to make a change in the tax structure, then we recommend that it be an improvement as well as a change. Many of the proposals before Congress appear to be motivated by a desire to increase the equitability of the tax structure -- a commendable undertaking. However, we believe that substituting an increase in the diesel fuel tax for the present fee structure does little to accomplish that goal. It may, in fact, contribute further to the inequities.

Industry, government, and the public have generally accepted the "user" tax as the appropriate method of financing construction and maintenance of our highway systems. Implicit in this acceptance is the assignment of taxes to various vehicle owners based on the costs occassioned by their use of the highway. Within the user tax concept, most would consider this distribution of costs as equitable.

Measuring "use" to arrive at costs has long been the subject study and discussion. Within the last 5 years, the federal government and at least 7 states have engaged in research to determine both the causes and costs of highway use. Without exception, the studies conclude that the primary causes of highway deterioration are the weight carried by each axle in combination with the number of repetitions over any given section of highway. In other words, the primary determinants of use are axle weight and, distance traveled. Incorporating these variables into a tax formula would greatly enhance its equitability.

CURRENT PROPOSALS

Although the current proposals to shift from graduated fees on trucks to a diesel tax would greatly ease the impact of the tax burden by allowing the heavy truck operator to pay-as-he-drives, the long range effect would be less equitable than the present system. Fuel consumption, while increasing with vehicle size and weight, does not increase proportionately. The Oregon study indicates that the per-mile responsibility of an 80,000 lb. truck is 16 times greater than that of an automobile, yet the truck uses only 3 to 4 times the fuel to cover the same distance. Clearly, a diesel fuel tax penalizes the trucker with light loads and subsidizes the trucker with heavy loads. From the state perspective, the use, or damages, incurred from a 2,000 lb. axle load is only 1/5000th that of the 18,000 lb. axle load.

Distinquishing taxable diesel motor fuel from non-taxable diesel home heating fuel may also present enforcement problems unless non-taxable diesel is dyed, or some other control is employed. Without some method of distinquishing taxable from non-taxable diesel, tax avoidance could be widespread.

To summarize our position on the fuel tax proposals, we believe that the simplicity of implementing a diesel fuel tax and the ease of pay-as-you-drive taxes do not compensate for the loss of equitability. The increased diesel fuel tax proposals, while supplying a crude approximation of the distance factor, do not consider weight, which is the primary determinant of use or wear. This tax also can be easily avoided if it is not distinquishable from heating fuel or other non-taxable purposes. The "quick fix" approachs to equitability contained in the diesel tax increase proposals are unworthy of the document they will modify. The commitment of the STAA should not be diluted by short-sighted, inequitable proposals that will not improve the current act.

WEIGHT DISTANCE TAX

As I indicated earlier, we believe that the factors you have been using in current and proposed law, that is, weight, in the graduated fee structure, and distance in the diesel fuel tax are both appropriate and necessary in establishing an equitable tax structure. However, actual or maximum axle loads and actual mileage records used in combination, are more accurate determinants of weight/distance factors, and hence more accurately reflect cost responsibility. The current and proposed tax structures attempt to consider one or the other, not both, and not in dynamic combination.

A national weight/distance tax, administered by the states with costs reimbursed by the federal government, has the potential of eliminating the inequities of current and proposed tax structures; simultaneously reducing road damage and tax burdens; and providing sufficient revenues to carry out the provisions of the STAA 1982.

A growing number of states, currently eleven, use some form of weight/distance tax. Of those, five states, including Idaho, use a gross weight/distance tax in which the per-mile rate is based on the registered weight of the vehicle. This registered weight/-distance tax appears to be an acceptable compromise between equity and administrative ease.

Opposition to a national weight/distance tax usually focuses on administration and enforcement complexities. We believe these concerns are unfounded. Most of the information necessary to administer a national weight/distance tax is now being reported in various ways in each state. For example, all but two states require mileage reporting for the diesel fuel tax. Registration systems, though not uniform, already exist in all states and could, with reasonable modifications provide the weight information necessary to implement both state and national weight/distance taxes. Costs to administer a national program are not expected to exceed those at the state level -- estimated to be less than 10 percent of collections in Oregon for example. We also believe Congress should give serious consideration to Option 9 contained in the July FHWA Working Paper entitled, "Alternatives to Tax Use of Heavy Trucks." The use of a registered axle-weight-distance tax, rather than gross weight, could provide an incentive to spread gross load over more axles, by reducing the tax per-mile for configurations which use tandem axles. Spreading the load over more axles reduces wear on the highway and justifies a like reduction in cost responsiblity or tax for the trucker. Studies also suggest that the operating efficiencies of multi-axle configurations more than offset the additional initial investment in equipment.

Enforcement of this taxing mechanism need not be any more difficult than that currently being accomplished in other areas. Voluntary compliance with personal income tax laws is reinforced through the audit procedure and is extremely effective. A similar system can be implemented for axle weight/distance taxes.

Implementing a national registered axle weight/distance tax in lieu of weight fees, sales taxes and tire taxes for all trucks would require a major change in direction, and may not be as practical as incremental change. Idaho could support a truck tax structure that incorporated:

- diesel fuel tax and tire tax at a level reflecting cost responsibility for trucks under 55,000 pounds.

- diesel fuel tax and registered axle weight/distance tax reflecting cost responsibility for trucks weighing 55,000 pounds or more.

This compromise would eliminate use tax reporting for approximately 60 percent of all trucks and is compatible with the Administration's proposal to raise the weight threshold to the level where significant cost responsibility increases are evident.

ISSUE 4: "The Effect of Increased Truck Sizes and Weights on the Condition of Roads and Bridges, and to What Extent Reasonable Access Should be Permitted."

TRUCK WIDTH

The Federal mandate increasing the allowable width of trailers to 102 inches did not adversely affect Idaho. We have allowed the extra width on our highways since 1975. We have, however, reached the width limit that can be accommodated safely on many existing highways.

TRUCK LENGTH

Safety is also our first concern in accommodating the long 48' trailers. Although we have no objection to 48' trailers per se, some of the routes originally designated as open to the long trailer combinations cannot accommodate them because of severe curvature which results in truck off-tracking into opposing lanes. Lost Trail Pass on US 93, between Salmon and the Montana border, one of the routes orignally designated for long trucks, contains three curves in excess of 35 degrees within one five-mile segment. If an 8 1/2' wide truck pulling a 48 foot trailer tried to negotiate the 11' lanes on this route, the rig would encroach five feet into the opposing lane. That leaves only six feet for oncoming traffic. The opposing driver would be faced with the choice of a head-on collision with an 80,000 pound truck or a plunge of several hundred feet down a steep hillside. Under these circumstances, the final irony in this effort to open additional routes to truckers could take the form of litigation in which the state and federal governments were held liable for knowingly inviting truckers to violate their own laws against crossing the center line. The state is placed in an untenable position by a unilateral decision of the federal government.

Each state should be allowed a more active role in determining which routes currently can accommodate the long trailers without being a hazard to oncoming traffic.

The companion goal to providing additional routes for long trailers was to ensure continuity in those routes. We can't fault the intent, but we are obligated to describe one of Idaho's problems in providing continuity. Geography sometimes intervenes to disrupt route continuity for other than standard vehicles. The Idaho portion of US 93, the same route mentioned before, contains fairly severe curves because of the mountainous terrain. When you cross the state line into Montana, the geometrics become much "softer", and although I can't speak for the state of Montana, it appears that the Montana portion of the route could safely accommodate 48' trailers. Again, we encourage close coordination among states, the industry and the federal government to effect a rational resolution to these problems.

If it is the intent of Congress to open routes to longer trucks which were designed for automobiles and shorter trucks, then additional funds will be needed to bring these routes up to a higher standard within a reasonable time period. One example of costs which would be incurred in providing an adequate alignment to accommodate 48' truck trailers is the "Lost Trail" section of US Highway 93 north of Salmon, Idaho. It is estimated the cost of widening and realigning this 10-mile segment would exceed $30 million.

ACCESS

Just as the designation of routes for long combinations should have state input, access to designated routes should be determined in conjunction with state and local units of government. Access conditions vary widely among states and within states. To a large extent, access is related to the demographics and geography of the area. In Idaho, the long trucks are expected to reach their destination within five miles of the route, or they are required to break the combination down. Again, from our perspective, money is the controlling factor. If Congress believes that retrofitting routes and access points to accommodate the longer length trucks is an acceptable expenditure of user taxes, then special programs should be developed to fund these interests. We do not believe that current funding levels permit major modifications that benefit only the long-truck combinations.

WEIGHT

Idaho has permitted the truck weights specified in the STAA for several years. Consequently, there has been no dramatic change in the past few months. Over the last several years, however, we have experienced a more rapid deterioration than can be explained by contributing variables other than increased weights and repetitions. Highways that were designed to last 20 years are showing signs of wear at 10 years and are worn out at 15.

Cost allocation studies conducted by several states and the federal government vary in methodology and absolute results, but they all appear to agree that accelerated deterioration is caused by an increase in truck weight, specifically the weight borne by each axle, and an increase in use, or number of miles traveled by those trucks. If a change in the tax structure is imminent, then we would do well to use the results of these studies to effect an improvement as well as a change.

As allowable weights were increased over the past 30 years, our design standards were also upgraded. But we have reached the point where most of our highway systems are now in place. Constructing new highways to ever higher standards or retrofitting existing highways to accommodate increasingly heavier loads will cost significantly more than current revenues will provide. At some point we must establish a balance between the physical capacity of the highways and the size of the vehicles that operate on them. We must stop the escalation of transportation costs.

We believe that a national registered axle-weight-distance tax on trucks weighing over 55,000 pounds, administered by the states, would move in the direction of balance and stability by:

- taxing on the basis of the elements that cause most deterioration, i.e, axle weight and distance.
- distributing costs of weight and distance elements proprotionately among users, i.e., equitably.
- providing incentives for distributing loads over more axles, through use of lower tax rates.
- reducing wear on highway from lowered axle loads.
- generating sufficient revenues to provide highways that withstand vehicle use.

Issue 5: Comments on the Department of Transportation's Preliminary Report on Alternative Tax Structures.

The Working Paper on Alternatives to Tax on Use of Heavy Trucks compares several combinations of taxes against the criteria of equitability and ease of payment, and it projects the revenue required from each option to equal the funding levels established by the STAA of 1982.

It is obvious the subject has been thoroughly researched and documented. The analysis and conclusions are those of skilled professionals who have faithfully fulfilled their obligation to comply with the mandate of Congress. We commend FHWA and applaud their work on this study.

The closing paragraph of their report indicates that administrative, enforcement, and compliance considerations will be addressed by the Treasury Department and will be included in the final report to be submitted to Congress by January 1984.

We urge Congress to defer evaluation and judgment until all elements of the study they requested have been incorporated.

SUMMARY

The Surface Transportation Assistance Act of 1982 provides the much needed incentive and committment State Transportation Departments have needed. Some provisions of the Act have necessitated major adjustments; others mandate study and reporting. Until all requirements have been implemented or completed, and the Act has been allowed to operate for some time, we recommend that no major changes be initiated.

If some change in the tax structure is necessary, then we recommend that the change incorporate improvements in equitability of tax burden, appropriate tax determinants, and incentives to reduce wear on highways. These elements can be incorporated in a national weight/distance, or axle load/distance, tax administered by states. Opposition to this type of tax focuses on additional record keeping, difficulty and cost of administering the Act, and inability to enforce compliance. We suggest that these concerns are probably founded in a fear of change rather than actual experience. Those states, including Idaho, that have weight distance taxes have not experienced excessive problems.

Since the federally mandated increases in truck size and weight had been in effect in Idaho for some time, there were no immediate adverse effects. However, we are concerned about a proliferation of 48' trailer lengths which, if allowed to operate on routes with limited widths and curvature, could cause severe safety problems. State and local governments should have input to designations of additional route and access points to ensure that motorists' safety is not diminished.

Our experience, over time, which is supported by several studies, indicates that increases in truck weights accelerate highway deterioration. The design standard/increased weight spiral should be stopped now.

Idaho tentatively endorses Option 9 contained in the Working Paper on Alternatives to Tax Use of Heavy Trucks. We believe that implementing an equitable axle-weight-distance tax on the heavier trucks at a dollar level which more closely reflects the costs of highway needs may permit elimination of some of the surrogate taxes, thereby simplifying the tax structure. Decisions on changing the tax structure should await the final results of this and other administrative costs studies.

AMERICAN ASSOCIATION OF STATE HIGHWAY
AND TRANSPORTATION OFFICIALS

HENRY GRAY, President
Director
Arkansas State Highway and
Transportation Department

FRANCIS B. FRANCOIS
Executive Director

STATEMENT BEFORE THE
SUBCOMMITTEE ON TRANSPORTATION
SENATE COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS

Relating to

TRUCK SIZE, WEIGHT AND TAXATION PROVISIONS OF SURFACE TRANSPORTATION ASSISTANCE ACT OF 1982

by

JOHN A. CLEMENTS

Commissioner and Chief Administrative Officer,
New Hampshire Department of Public Works and Highways and
Immediate Past President of AASHTO

and

ROBERT N. HUNTER

Chief Engineer and Chief Administrative Officer,
Missouri Highway and Transportation Department,
and Chairman of AASHTO's Standing Committee on Highways

August 22, 1983

Founded in 1914, AASHTO represents the departments concerned with highways and transportation in the States, the District of Columbia, and Puerto Rico, to foster the development, operation and maintenance of an integrated national transportation system. The active members of AASHTO are the duly constituted heads and other chief directing officials of the member highway and transportation agencies.

EXECUTIVE OFFICE: 444 N. Capitol Street, N.W., Suite 225 Washington D.C. 20001 Telephone (202) 624-5800

Mr. Chairman, my name is John A. Clements. I appear here today both as Immediate Past President of the American Association of State Highway and Transportation Officials, and in my capacity as the Commissioner and Chief Administrative Officer of the New Hampshire Department of Public Works. I also serve on AASHTO's Highway Subcommittee on Highway Transport, and as a member of the Steering Committee guiding AASHTO's current study of motor carrier registration and taxation issues.

With me is Robert N. Hunter, Chief Engineer and Chief Administrative Officer for the Missouri Highway and Transportation Department, a past President of AASHTO, and the current Chairman of our Standing Committee on Highways.

We were pleased to receive your invitation for AASHTO to testify at this field hearing, to offer our views on the effects of the truck size, weight and taxation provisions of the Surface Transportation Assistance Act (STAA) of 1982, and related issues. Your letter of invitation listed several topics upon which testimony is requested, and we will endeavor to respond to each within the limits of AASHTO's adopted policy statements.

To begin these remarks, Mr. Chairman, on behalf of our member departments, we want to thank you, the members of this Subcommittee, and your staff for your outstanding and effective efforts that led to the enactment of the STAA of 1982. It is a landmark piece of legislation, in several respects. First of all, it recognized the need for a strong, continuing Federal role in support of the highway and public transportation systems of this nation, and authorized funding levels for the Federal-Aid programs related to these systems that reflect their importance to our nation. Turning to highways, funding was increased by some fifty percent to levels in the range recommended by our member departments and others knowledgeable about the needs of the Federal-Aid Highway system, and the first truly significant increase in highway user charges in over two decades was achieved.

Beyond these major achievements, the STAA of 1982 also contains provisions designed to improve the operation of our programs of Federal assistance in both highways and transit, and to satisfy national goals of the Congress. This is not to say that there has been universal satisfaction with the STAA of 1982, and some states have expressed unhappiness over one or more of its provisions. We expect that such concerns will continue to be expressed, and indeed the truck-related provisions of the Act are why we are here today.

But in balance, we believe that the STAA of 1982 has proved to be an important and valuable Act, one that places the highway and transit systems of this nation on a more stable foundation. The members of AASHTO are generally supportive of the Act, and are now hard at work implementing its provisions. We feel that a period of stability is now desirable in the Federal-Aid Highway programs for several reasons.

The Act made several changes in the Federal-Aid Highway program, and our states and their local governments have had to adapt to those changes. Nearly everywhere, significant re-programming of projects has occurred. This period of adapting to the STAA of 1982 is concluding, and we now need a time of stability so that projects can move rationally toward completion.

Another important reason for maintaining stability in the Federal-Aid Highway program at this time concerns the requirement for Governors and legislatures to consider revenue measures designed to meet the demands of the restructured highway program resulting from provisions of the STAA of 1982. The ability of our member departments to provide their Governors and legislatures with a stable, multi-year projection in the Federal-Aid Highway program is often basic to obtaining the passage of needed state revenue bills. Having just completed re-programming because of the STAA of 1982, any major changes in the Act's provisions at this time could seriously disrupt state legislative and budgeting procedures.

While dealing with the matter of state revenues, Mr. Chairman, I would like to note that in 1983 several states have already taken action to increase their transportation funding. You will recall many predictions that if Congress acted to increase highway user fees in the STAA of 1982, it would serve to prevent similar action among the states. The record so far does not support those predictions.

Thus far this year, the legislatures of Colorado, Connecticut, Florida, Idaho, Illinois, Kansas, Maine, Massachusetts, Minnesota, Montana, North Dakota, Oregon, Rhode Island, Vermont, Washington, West Virginia and Wisconsin have taken action to increase the yield from their state motor fuel taxes. In addition to those seventeen states, Arkansas, Indiana, Iowa, Michigan, Missouri, New Mexico and New York have taken other actions that will increase transportation funding, and actions are still pending in some states. Clearly, the states are responding to meet the matching fund requirements of the STAA of 1982, and in addition, to more adequately satisfy the needs of the some 3.1 million miles of American highways that do not receive help from the Federal-Aid Highway program.

Mr. Chairman, as we have outlined, the states have been laboring to put the provisions of the STAA of 1982 into effect. The bottom line is of course the amount of highway construction and rehabilitation work that occurs. Last fall during consideration of the Act, we responded to Congress' request for an estimate of how much the states could collectively obligate in the Federal-Aid Highway program during 1983. At that time, we projected that over $13 billion could be utilized, if it were available.

While FY 1983 is not over, the latest data available indicates our member department's estimate of 1982 was reasonable, for it is being achieved. As of August 1, the Federal Highway Administration reports that over $10.8 billion has already been obligated this fiscal year. It is projected that only a few hundred million dollars will not be utilized by states to which these funds were allocated, and other states are waiting to utilize those funds with projects totalling several times this amount. Thus, the funds provided by Congress for FY 1983 will be fully utilized, and we will enter FY 1984 with a backlog of ready-to-go work.

We would also note that while state legislatures were active during 1983 in passing revenue measures for highways, this is not something new. Rather, over the past few years the large majority of states have acted to increase highway revenues, and several of these did so again in 1983. Clearly, there is concern in the states about the need to provide adequate highways for America, and we again commend you for providing needed help from the Federal government.

Let me now turn to the specific truck-related provisions of the STAA of 1982, as identified in your letter of invitation.

Truck Length, Width and Weight

The provisions of the STAA of 1982 regarding truck widths, lengths and weights of various tractor-semitrailer-trailer combinations have caused state legislatures to address these matters. Generally, there is growing compliance with these provisions of the Act. In some instances, however, problems may exist when the deadlines for implementation are reached, and it is hoped that satisfactory resolution of any difficult situations can be achieved.

There is a concern in several states about the complete removal of a state's ability to limit truck lengths. At the least, these states would have preferred that overall limits be maintained, even if they were more generous than at present. The inability to control overall length is causing difficulty among many local and state legislators, who are trying to be responsive to citizen concerns about the possibility of long combinations operating on their highways. Further, given the limits on trailer and semi-trailer length in the STAA of 1982, some highway engineers are concerned over what may happen when a truck operator seeks to carry very heavy loads with such rigs. Specifically, the possibility of utilizing very long tongues or linkages between a semi-trailer and a trailer in an effort to satisfy the bridge formula seems allowable under the Act as now written, when no overall limitation on length is permissable.

There is also concern about the safety of double-bottom trailers, and of 48-foot semi-trailers. The 48-foot trailer can pose tracking problems, and some states are concerned about the designation of routes for their operation.

The problem with the 48-foot trailer has to do with its turning radius, which exceeds the radius that was commonly utilized to design some highways in past years. Put simply, the 48-foot trailer was not envisioned when many highway curves, intersections and interchange ramps were designed. When a 48-foot trailer is operated on these facilities the trailer will necessarily move out of its designated lane during movements, which can result in collisions with vehicles in adjacent lanes or the destruction of signs and other roadside hardware. Because of this problem, several states are concerned about maintaining control over the routes utilized by the 48-foot trailers.

Turning to the 102-inch width requirement of the Act, there are also problems in accommodating trucks of this width on many highways. While Interstate highways have lane widths that can safely accommodate 102-inch wide vehicles, many other primary and secondary highways do not. For safe operation of 102-inch wide trucks, twelve foot lanes should be employed. When the traffic lanes are significantly narrower than 12 feet, the normal back-and-forth lateral movements of 102-inch wide vehicles can cause safety hazards to vehicles in adjacent lanes, even when they are driven carefully in good weather; when strong cross-winds and other unusual conditions are encountered, then the safety hazard is increased.

For the reasons noted, the states have been concerned about the routes designated for the operation of 102-inch wide vehicles. We believe that states must retain a strong role in designating highways for use by 102-inch wide vehicles, since they best understand the geometric design limits, climate and other factors that affect the safety of highway operations in their jurisdiction.

Another area where the STAA of 1982 is posing problems to the states is with respect to the grandfather clauses related to the allowable length of trailers and semitrailers. The Act, in Sec. 411(a), prohibits any state from establishing, maintaining or enforcing any regulation which has the effect of:

> ". . .prohibiting the use of trailers or semitrailers of such dimensions as those that were in actual and lawful use in such State on December 1, 1982."

This language is not limited to specific trailers or semitrailers in actual use, but rather uses the longest trailer or semitrailer as the standard for all. In other words, in order to determine the legal maximum length for all trailers and semitrailers, one must first identify the longest trailer or semitrailer "in actual and lawful use in such State on December 1, 1982". This standard is placing a burden on law enforcement officials that is hard to meet, and is making control over trailer and semitrailer length more difficult than need be.

You have asked for comment on the effect of increased truck sizes and weights on the condition of our roads and bridges. Overall, the operation of 80,000 pound trucks nationwide in ever increasing numbers obviously increases the deterioration rate of our highways and bridge structures, and accordingly increases the required rate of expenditure necessary to maintain adequate and safe highways. The service life of a highway is determined by several factors, including:

1. The standards utilized in the original engineering design. Sound engineering principles need to be followed in the design and construction of a highway, and AASHTO has long been dedicated to helping assure that this is common practice.

2. The quality of the materials locally available and utilized in construction.

3. The quality of the workmanship employed.

4. The success of efforts to properly regulate highway usage, so that engineering limits are not exceeded.

5. The value of the axle loadings applied to the highway, considered together with the frequency of those loadings.

6. The establishment of an effective inspection effort and maintenance program, to assure that the safety and serviceability of bridges and highways are maintained.

Generally, highways built over the last several decades have been properly designed and constructed to handle projected 20 year axle loadings and traffic frequency. Once constructed, a highway must also be properly maintained, and maintenance must be done in a timely manner if catastrophic events are to be avoided. Our states and local governments generally have established programs designed to properly maintain our highways, although resources for maintenance are today severely strained in much of America. More and heavier trucks will require accelerated maintenance and reconstruction programs, for which funding must be provided.

Given good design, construction and maintenance, a highway should last its intended service life. But that life is still finite, and usually a 20 year timespan is chosen by the engineer as the most reasonable cost-benefit goal. The intended service life can be considerably shortened by increasing the intensity and frequency of the axle loadings placed upon the road. It is well established that axle load weight and the frequency of loading are the principal factors affecting how rapidly a highway will deteriorate, in conjunction with environmental factors.

There have been efforts made to show that environmental factors are the principal influence in highway deterioration, not weight and the frequency of their application to the road, and that increased loadings are much less a factor than is commonly argued by highway engineers. Our AASHTO member departments have evaluated this argument, but we cannot support it.

We believe that increases in truck weights and consequent increases in axle loadings do in fact hasten highway deterioration, especially when coupled with increased traffic volume. We do agree that environmental factors can affect the deterioration rate of a highway, under certain conditions; but we cannot agree that they are the principal cause of the deplorable condition of so many miles of America's highways. In an AASHTO report developed in 1982, the following summary statements of our findings are made:

> ". . .loads and environmental factors interact, one reinforcing the other, to cause pavement distress."
>
> ". . .many non-load types of distress are aggravated or intensified by loads, so that significant portions should be attributed to load-related causes after the inception."

Summarizing, then, the deterioration of a highway can result from several factors. Deterioration can be greatly accelerated by significantly increasing loads and the frequency of traffic movements, and because of adverse environmental conditions; usually, poor environmental situations combine with increased loads and increased traffic volume to bring about more rapid deterioration. Given these engineering facts, and assuming that the STAA of 1982 results in placing more heavy trucks on the road, the Act will have the effect of deteriorating our roads and bridges at a more rapid rate.

Truck Routes and Truck Access

The actions of the Federal Highway Administration in implementing the provisions of the STAA of 1982 regarding designation of highways for use by longer and wider trucks caused problems in several states, not all of which have been finally resolved.

Following enactment of the STAA of 1982, AASHTO took steps to develop policy on how these provisions of the Act should be implemented. That policy was forwarded to the FHWA Docket, but was not followed. A copy is attached, as Exhibit 1, and it should be noted that it also contains comments about truck length limitations and certain other issues.

Essentially, AASHTO's adopted policy statement, Exhibit 1, expresses two concerns. First, since the highways involved are in fact the property of the states and the states are held responsible in litigation for their operation and safety, our member departments strongly believe that the states should have control over the usage of their highways where safety concerns exist. Thus, we believe that the state role should be preeminent in determining which highways should be included in a network for the longer and wider trucks authorized by the STAA of 1982, and the nature of access by trucks to those highways. Secondly, strictly on the safety issue, we believe that the judgment of the officials in our member departments needs to receive full accord in making decisions about truck access and which highways are designated for the operation of such longer and wider trucks. It is these officials, and not officials of FHWA, who actually design, construct and maintain our highways, and who know first hand their operational capabilities and characteristics.

Truck Taxes

The STAA of 1982 gave significant productivity benefits to our motor carriers. As noted earlier, these same provisions for increased truck weights and dimensions will increase the rate of deterioration of our roads, and thus require an increased rate of expenditure by the states. Rightly, we believe, the STAA of 1982 increased the taxes upon heavier trucks so that they will more equitably share in the costs of maintaining adequate and safe highways.

We believe in the principle of allocating highway costs to those who utilize them, and have expressed our support for the major findings of the recent cost allocation study conducted by the FHWA and submitted to Congress last year. We were supportive of efforts made during consideration of the Act to adjust highway user fees, and especially efforts to increase the revenue from heavy trucks so that they come closer to paying their fair share of highway costs.

Based on the FHWA's cost allocation study, the truck taxation provisions of the STAA of 1982 did not achieve full equity among highway users. A discussion of the inequities remaining after passage of the Act will be gained from a paper entitled "An Equity Assessment of Federal Highway User Charges," prepared by John Merriss, George Burgess and Loyd Henion of the Oregon Department of Transportation, and presented at the Seventeenth Annual Pacific Northwest Regional Economic Conference in Bellingham, Washington, May 5-7, 1983. A copy of the paper is attached, as Exhibit 2.

The current effort to replace the heavy truck fees established by the STAA of 1982 with only a tax on diesel fuel does nothing to correct the inequities noted in the Oregon paper, and indeed could make them much worse. While such a diesel fuel tax might generate considerable revenue for both highways and transit, its adoption as now being proposed could cause abandonment of the cost allocation principle where the heaviest trucks are concerned. This possibility is disturbing to our member departments.

We believe that efforts to amend the revenue provisions of the STAA of 1982 at this time are, in any case, premature. The Act called for a study of heavy truck taxation by the Departments of Treasury and Transportation, and this should be completed and analyzed before Congress again addresses the matter.

Mr. Chairman, we also want to advise the Subcommittee that AASHTO has embarked on a major, six-month study of truck taxation, registration and related issues, which in several respects will parallel the Treasury-Transportation study. A copy of material relating to this study and its contents is attached, as Exhibit 3, and we are on schedule. Further, we are part of a coalition of state agencies organized under the National Governors' Association, whereby we hope to develop a coordinated state position on many of the issues involved regarding motor truck taxation and registration.

Mr. Chairman, AASHTO has received a copy of the Department of Transportation's "Working Paper On Alternatives To Tax On Use Of Heavy Trucks", released July 29, 1983. We have not had an opportunity to review it in depth, and this will be done through our own AASHTO effort concerning motor carrier taxation and registration issues. However, we can offer some preliminary observations.

We are pleased, Mr. Chairman, that the Working Paper stresses the need for equity, so that the different classes of highway users pay in relationship to the burdens they place on our highway system. We also note that the Working Paper recognizes there are different ways to achieve an equitable tax structure, but that there are many interrelationships that need analysis before selecting a specific alternative as "most preferred".

Obviously, the Working Paper is not a conclusive document. It does point up the complexities involved, and thus inherently argues against premature adoption of a change in the user taxation provisions of the STAA of 1982. In particular, it makes a strong case against simply replacing the heavy truck use taxes of the Act with a tax on diesel fuel. We strongly urge that

Congress not take action on any bill changing the truck taxation provisions of the STAA of 1982 until after the study by the Departments of Transportation and Treasury is completed and has been analyzed, and until after our own AASHTO study effort on motor carrier taxation and registration issues has been completed and a final report prepared. We believe that our AASHTO effort will be completed in January, and indications are that the Transportation/Treasury study will reach completion at about the same time. Thus, we believe that Congress should postpone any action with respect to the truck taxation provisions of the STAA of 1982 until next year, at the earliest; given the schedule of implementation provided for these taxes in the Act, this delay should pose no problem to the motor carrier industry.

Mr. Chairman, we appreciate this opportunity to offer testimony on the effects of the STAA of 1982, and are prepared to respond to questions either at this time or in writing at a later date.

AMERICAN ASSOCIATION OF STATE HIGHWAY
AND TRANSPORTATION OFFICIALS

HENRY GRAY, President
Director
Arkansas State Highway and
Transportation Department

FRANCIS B. FRANCOIS
Executive Director

EXHIBIT 1

April 4, 1983

FHWA Docket No. 83-4
Federal Highway Administration
Room 4205, HCC-10
400 Seventh St., S.W.
Washington, D.C. 20590

Gentlemen:

We are pleased to provide official comments on behalf of AASHTO relating to the FHWA's interpretation and policy statement addressing the truck size and weight provisions contained in the Surface Transportation Assistance Act of 1982 (STAA) and the DOT Appropriations Act of 1983.

We are pleased to report that more than two-thirds of our member departments are generally in agreement with the basic intent of the interpretation and policy pronounced in your notice published February 3, 1983. The states have thoroughly considered the FHWA policy statement in four regional subcommittee meetings, a full subcommittee meeting and a ballot of all the states. Based on that review and the two-thirds affirmative balloting results, we offer the following comments for the docket on the three primary issues listed in the notice and two additional issues which emerge from the STAA and the Appropriations Act regarding uniform weight requirements, truck length requirements, and uniform width requirements.

Effective Dates

The notice points out that the weight provisions of the STAA (Section 133) became effective January 6, 1983 and that no withholding of a state's federal aid apportionment will be imposed prior to October 1, 1983. Similarly, the width provisions contained in the DOT Appropriations Act (Section 321) became effective December 18, 1982 and no withholding of a state's federal aid apportionment will be imposed prior to October 1, 1983. On the other hand, the length provisions of the STAA (Section 411) become effective April 6, 1983 and no provision is made for withholding federal aid for non-compliance. The notice indicates that although FHWA does not intend to initiate injunctive action prior to October 1, such action may be necessary if state enforcement actions are contrary to the Act after April 6. The threat of federal

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injunctive action in the notice for non-compliance of length provision is not in concert with the statement made in Administrator Barnhart's letter to all of the governors dated February 17, 1983. In this letter he states with regard to critical dates of action pertaining to truck lengths: "All state laws which must be amended should be changed as soon as possible, but no later than October 1, 1983. State laws which are not in compliance on that date may result in the loss of federal-aid highway funds or injunctive action."

The states are making every effort to revise its statutes in the most timely manner possible to comply with the letter and the spirit of the provisions contained in the STAA and the Appropriations Act with regard to the truck size and weight provisions. Understandably, however, there are instances where state legislatures will be unable to make the necessary changes to the state laws to achieve full compliance. Moreover, in some states there is no mechanism for relief. In these instances enforcement procedures are required to be in accordance with existing state laws. Therefore, AASHTO encourages FHWA to consider these extraneous circumstances among the various states and to refrain from federal injunctive action as provided in Section 413 of the STAA against these states prior to October, 1983 as set forth in Mr. Barnhart's letter.

Identification of the "Qualifying Highways"

First, we would like to point out that the states paid particular note to the statement within the notice whereby, "FHWA encourages the states to work cooperatively to achieve uniformity in the selection criteria for designated highways and to ensure maximum continuity in designated highway routes from state to state." We believe that such uniformity and continuity will be achieved with regard to weight and dimensions provisions contained in the STAA and the Appropriations Act of 1983.

In addition, the states are very aware of the fact that Congress clearly intended that the increased truck size and weight provisions contained in the acts are designed to increase truck productivity. Therefore, the states are desirous of making liberal determinations of highways for use of vehicles covered in this policy statement. At the same time, however, the states believe that the eligible sections of the federal-aid primary system should have traffic lanes designed to be at least 12 feet wide as a distinction should not be made between the wide vehicles, long vehicles, and heavy vehicles covered in this policy statement. Also, the states do not believe that their designation of other Federal-aid Primary System highways should be restricted in manners suggested in the subject notice. For example, states should not be limited by having the burden of proof by safety and operational requirements of designated highways. Consequently, AASHTO recommends that the qualifying highway statement contained in the notice be revised to read as follows:

> The Interstate system and those sections of the federal-aid primary system which are divided highways with four or more lanes of at least 12-foot width and full control of access will be eligible for use by vehicles whose dimensions are established by Sections 133 (STAA), 411 (STAA), or 321 (DOT Appropriations Act of 1983) except where the state can justify to the Secretary that such use is not in the public interest. Additionally, the state may designate other highways.

Reasonable Access

The notice points out that Section 133(b) of the STAA mandates "reasonable access" to trucks loaded to the legal weight limits between the designated highway system and terminals and facilities for food, fuel, repairs, and rest. In addition, the section pertaining to truck lengths mandates points of loading and unloading for household goods carriers. The FHWA policy statement adds that the determination of reasonable access will reside at the state level and that the FHWA will enter only in those instances where the needs of interstate commerce are being impeded. This state discretion is justified on the basis that states are the most familiar with their highway systems including capacity, volumes, and unique climatic conditions.

Accordingly, AASHTO endorses the FHWA policy statement but recommends it also specify that it is intended for "interstate" commerce as follows: "No state shall deny 'reasonable access' to their interstate system, and designated highways as stated in the sections cited above with the underlying condition that the needs of interstate commerce shall not be impeded."

Length Limitations

Section 411 of the STAA requires that states permit the operation of tractor-semitrailer-trailer combinations on the Interstate system and on other designated portions of the federal-aid primary system. This section also prohibits the state from imposing a length limitation on the tractor portion of such truck combinations. In addition, states may not require the semitrailer portion of a tractor-semitrailer combination to be less than 48 feet nor may it require a semitrailer or trailer of a tractor-semitrailer-trailer combination to be less than 28 feet in length. Also, this section provides that no state may prohibit the use of trailers or semitrailers of such dimensions as those that were in actual and lawful use in such state on December 1, 1982.

AASHTO believes that a further explanation is required in the FHWA statement with regard to its interpretation of the Act pertaining to trucks "in actual and lawful use in such state on December 1, 1982." The notice of policy statement makes no mention of the provision in Section 411(b) which states: "No state shall establish, maintain, or enforce any regulation of commerce which has the effect of prohibiting the use of existing trailers or semitrailers, of up to 28 feet and one-half feet in length, in a truck tractor-semitrailer-trailer combination if those trailers or semitrailers were actually and lawfully operating on December 1, 1982, within a 65 foot overall length limit in any state." AASHTO believes that the rules should provide that "actual and lawful use" means within the limits set out by state statute excluding operation under permit.

In addition, AASHTO requests that the final rules include a clarifying statement to the effect that states may continue to regulate overall length, including tractor length, on highways which are not part of the system designated by the Secretary for the STAA.

Additional Rulemaking

AASHTO is cognizant of the fact that FHWA must make an initial determination of the classes of qualifying federal-aid primary system highways by April 6 and that the final rules are not required until October 6. Comments on the notice of policy statement may be made on or before July 1.

Considering the anticipated views which may be submitted to FHWA in response to this request for comments, it is very likely that FHWA will impose a number of requirements in the final rule which it had not considered at the time the subject notice was issued. AASHTO believes that it would be to its best interest to have an opportunity to comment upon any such newly imposed requirements. We further believe that there is sufficient time for the submission of such additional comments as there are three months between the date when comments on this notice are to be submitted and the final rules are required to be issued. AASHTO therefore recommends that prior to the adoption of the final rule another interim notice with an opportunity for comments be issued.

Automobile Transporters

Section 411(d) provides that the Secretary's implementing regulations may accommodate specialized equipment "including, but not limited to, automobile transporters" subject to the length limitations applicable to other vehicles described above. AASHTO is concerned that the limitations imposed upon vehicles in Section 411(a) and (b) may hinder states' efforts to address this type of specialized equipment. Presently, 28 states allow the operation of automobile transporters at a maximum length of 65 feet plus a three-foot front overhang and a four-foot rear overhang (four of these states require a permit for the overhang). Five states allow 65-foot vehicles without an overhang, and 15 states restrict these vehicles to less than 65. The balloting of the states was inconclusive as to whether the implementing regulations should limit automobile transporters to a maximum length of 65 feet plus the overhang, or a maximum length of 65 feet without the overhang. The necessary two-thirds majority for an AASHTO recommendation was not obtained for either size vehicle.

AASHTO appreciates very much your consideration of these comments.

Very truly yours,

Francis B. Francois
Executive Director

FBF:WTD:cam

EXHIBIT 2

AN EQUITY ASSESSMENT OF FEDERAL HIGHWAY USER CHARGES

by

John Merriss, George Burgess and Loyd Henion
Oregon Department of Transportation

May 1983

Paper to be presented at the Seventeenth Annual Pacific Northwest Regional Economics Conference, Bellingham, Washington, May 5, 6, 7, 1983.

The views expressed in this paper are those of the authors and do not necessarily reflect those of the Oregon Department of Transportation or the Public Utility Commissioner.

INTRODUCTION

The Surface Transportation Assistance Act (STAA) of 1978 in Section 506 (P.L. 95-599) mandated the U.S. Department of Transportation (USDOT) to conduct a new Federal Highway Cost Allocation Study (FHCAS).[1] In addition to the Cost Allocation Study, Section 506 requested an assessment of federal user charges and called for recommendations "on any more equitable charges". Pursuant to this charge USDOT submitted the Final Report on the Federal Highway Cost Allocation Study to Congress in May, 1982. [2]

In response to pressure from the White House, the second session of the 97th Congress passed the Surface Transportation Assistance Act of 1982 (STAA of 1982). The House and Senate Committees, working in close consultation with USDOT's Cost Allocation Team, finally hammered out a compromise version of the tax structure recommended in Chapter VI of the study. This version, referred to as the Conference Report raised $12.7 million from highway users and was hailed by Congress as a "jobs bill" which would give a shot in the arm to the ailing economy.

While addressing the most pressing needs of our highways and mass transit systems, the President in his remarks focused on the desperate condition of our transportation infrastructure and stressed that the bill was fair and the levies should be considered as user fees rather than taxes. Even though the bill easily passed Congress, after a prolonged filibuster attempt by Senator Helms of North Carolina, all was not calm on the hill or around the country. While most agreed to the need for additional dollars to preserve and maintain a deteriorating transportation network many were unsettled by the particulars of the tax structure.

Despite the fact that the Conference Report's tax structure yielded tax rates below the Federal Highway Cost Allocation Study's recommended rates, truckers felt they would be unfairly burdened. Truckers found their frustrations represented by the Independent Truckers of America who sponsored a nationwide truckers strike in February of this year. Although short-lived, the strike culminated in violence that spread throughout the nation and underscored the intensity of the debate. The truckers were primarily directing their dissatisfaction toward the large fee increases scheduled for heavy trucks. The current highway use tax is a flat fee of $3 per thousand pounds of gross vehicle weight (GVW) for trucks weighing over 26,000 pounds. The STAA (1982) scheduled phase-in rates up to 850 percent above the existing rates for the largest trucks.

Apparently, these voices are not going unheeded by certain Congressmen. There have been six bills recently introduced in the 98th Congress to drastically restructure the Conference Report rates--primarily by eliminating or reducing the heavy vehicle use tax with partial replacement by a fuels tax surcharge. Previous to this flurry of bills dealing with the heavy vehicle use tax, Congress directed USDOT in Section 513(g) of the STAA (1982) to conduct a study of alternatives to the heavy vehicle use tax. The recent pressure has moved up the study deadline substantially so that Congress may consider alternatives by this summer.[3/] A meeting soliciting public comments on the study was held at USDOT on April 27, 1983. Written comments on the Docket will be accepted through September 30, 1983.

Thus the stage is set for a congressional overhauling of the tax structure embodied in the STAA (1982). To what extent the concern over the fairness (equity) of the scheduled tax structure is valid is the subject of this paper. The paper does not attempt to analyze the results of the Federal Highway Cost Allocation Study either in terms of its theoretical or empirical validity, but rather asks how well the Conference Report's tax structure captures the costs attributed to the various vehicle classes identified in the study. It is readily acknowledged that different analytical approaches can yield substantially different results from the Federal Highway Cost Allocation Study. It is also recognized that the Federal Highway Cost Allocation Study embraced equity and investment criteria but not economic efficiency criteria.[4]

BACKGROUND

Highways have had a long history of the "user-pays" concept and the principle now seems firmly established. As they are perceived by the public and their elected representatives, user taxes are generally accepted as fair. But, there is much less of a consensus as to whether or not they are fairly levied.

Historically, the Federal government and most states have predicated cost allocation studies on equity rather than efficiency grounds, employing cost allocation on the basis of cost occasioning as the guiding principle of fairness.[5] This method holds that those vehicle groups that occasion (give rise to) traceable costs should bear the tax burden. Thus, the approach seeks to assign costs on the basis of relationships between vehicle characteristics (primarily size and weight) and additional highway costs.

The 1982 Federal Highway Cost Allocation Study was conducted utilizing this concept of equity. The study recognized efficiency based allocation approaches as a valid alternative and devoted an appendix to exploring the nature and magnitude of user charges based on marginal cost pricing.[6/]

Under the equity approach a fair tax structure requires that:

1. All vehicle groups pay their fair share of fully allocated costs; and
2. Vehicles within the same group pay approximately the same amount.

The first condition is necessary to satisfy vertical equity, whereas the second satisfies horizontal equity. A cross-subsidy between road user groups exists when some vehicle classes are overpaying and others are underpaying relative to their respective responsibilities. A cross-subsidy within a group exists when vehicles of the same group, with equal circumstances, are paying unequal amounts.

In order to avoid both vertical and horizontal equity problems it is essential that the tax structure be flexible enough to capture the variable costs attributable to vehicles. These are costs resulting from a vehicle's size, weight, and travel characteristics.

The flexibility of the tax structure, in turn, depends on the nature of the tax-type. Some tax-types are adequate to avoid vertical inequity but not horizontal inequity. As will be shown, the Conference Report's tax structure, while failing both vertical and horizontal equity tests, results in alarming horizontal inequities. It is this aspect of the current federal tax structure which requires extensive overhauling, and the repair can only be made by introducing a more flexible tax-type which can adequately account for miles traveled among the heavy vehicle group. Before analyzing the federal tax structure, let us examine some considerations which are prerequisite to the development of a rational equity based tax structure. Here we can draw some lessons from the Oregon philosophy of highway finance and its resulting tax structure.[7]

UNDERLYING PHILOSOPHY OF THE OREGON HIGHWAY USER TAX STRUCTURE

Oregon has not relied exclusively on motor vehicle ownership and fuel for its revenue base, nor has it relied on general funds. Oregon has, since the mid-1930's, been dedicated philosophically to a cost-based approach to road finance known as cost responsibility. This approach has given Oregon a source of revenue more directly related to road wear than are the traditional registration and fuel taxes.

Throughout the past 75 years, Oregon has been guided in its road user taxation by three persistent principles:

1. Road users should pay the cost of the highway system.
2. Road users should be charged according to their cost responsibility-that is, payments by road users should be in proportion to the costs for which they are responsible.
3. Road user tax revenue should be used primarily for the operation, construction, and maintenance of highways.

In 1935 Oregon conducted its first cost responsibility study. In this study, the general "user should pay" principle was extended to include the imperative that each class of road users should be taxed in proportion to its specific responsibility for the provision and maintenance of roads.

Based on this concept of highway finance, the study called for a three-tiered structure of road user fees. The first tier or structure is the registration fee, which in Oregon is considered to compensate for the fixed or non-use-related costs of providing a highway system. Since these costs account for a relatively minor portion of total highway costs, the registration fee in Oregon has traditionally been low in comparison to the corresponding fees in many other states.

The second tier is the fuel tax, which provides adequately for meeting the use-related cost responsiblity of automobiles and other light vehicles. This is an important part of a true user tax, as the incidence of the tax falls on road users in proportion to their use of the roads.

The key to the Oregon system is the third tier in its tax structure, the weight-mile tax, a graduated mileage tax applied to all commercial vehicles weighing over 6,000 pounds. The rationale for a weight-distance tax is quite simple. It is by now well established that building roads to accommodate truck traffic costs more than building roads for automobile and other light vehicle traffic only. Roads must be wider and stronger and bridges must be wider, higher, and stronger to accommodate trucks. In addition, wear and tear on the roads increases dramatically with increases in vehicle size and weight. Heavier axle loads increase the burden on the roads in an exponential manner. For example, the conventional five-axle "semi" operating at 80,000 pounds does approximately six times more damage than the same vehicle operating at 50,000 pounds.[8/]

The weight-mile tax, in effect, takes the place of a fuel tax on heavy vehicles, since fuel consumption, while increasing with vehicle size and weight, does not increase proportionately with cost responsibility. The results of the 1980 Oregon Motor Vehicle Cost Responsibility Study indicate that the per-mile responsibility of an 80,000 pound truck is about 16 times greater than the per-mile responsibility of an automobile. The 80,000 pound truck, however, uses only three to four times the fuel used by the average passenger car for a comparable amount of travel. Similarly, the 1980 Study found that the overall per-mile responsibility of a typical 80,000 pound truck is double that of a typical 50,000 pound truck, but the 80,000 pound truck uses only about 14 percent more fuel. Thus, fuel consumption alone does not adequately reflect the cost responsibility of vehicles of different sizes and weights.

This same deficiency applies to vehicle registration fees and other road user charges, such as the federal heavy vehicle use tax, which are not related to the amount of highway use. While a registration tax based on vehicle gross weight may be graduated in its application, it does not reflect the variation in travel by the same vehicle from year to year or the variation in mileage among different vehicles of the same type and gross weight. Thus, two vehicles which are identical except that one travels 100,000 miles a year and the other 20,000 miles pay the same registration fee, even though the total responsibility of the first vehicle is five times that of the second vehicle.

Hence, neither a fuel tax nor a vehicle registration fee adequately reflects the cost responsibility of vehicles of different sizes and weights. A weight-mile tax, a tax based on vehicle weight and distance traveled, is the only type of tax that can equitably charge heavy vehicles for the costs for which they are responsible. A road user tax structure consisting of a balanced mix of registration, fuel, and weight-distance taxes is required to capture the cost responsibility of vehicles of different sizes and weights and to equitably charge both high and low mileage vehicles.

THE FEDERAL HIGHWAY USER TAX STRUCTURE

On January 6, 1983, the President signed into law HR-6211, the Surface Transportation Assistance Act of 1982. As noted earlier, this legislation, among other things, substantially raised road user fees paid by vehicles operating on the highways. The legislation repealed previous user taxes on tread rubber, innertubes, lubricating oil, and truck parts. What remains of the old structure is the gasoline and diesel taxes, the tax on new tires, the tax on new trucks and tractors, and the heavy vehicle use tax. Table 1 lists the details of the Conference Report rates enacted by the STAA (1982).

The gasoline and diesel tax was raised 5¢ per gallon effective April 1, 1983, for an increase of 125 percent.

The revised tax schedule on new tires will become effective January 1, 1984. The new schedule eliminates the tax on small tires (under 40 pounds) used by cars but graduates the tax by weight for heavier tires used by trucks.

The revised truck and trailer sales tax went into effect on April 1, 1983. Under the new law, light trucks under 33,000 pounds and trailers under 26,000 pounds are exempt. The heavier vehicles now pay a sales tax of 12 percent of the retail price instead of 10 percent of the wholesale price.

The heavy vehicle use tax was dramatically revised. The old rate was a flat fee of $3 per 1,000 pounds GVW for trucks over 26,000 pounds. The revised tax is a graduated schedule starting at $50 for a 33,000 pound truck and peaks at $1,900 for trucks 80,000 pounds and larger. The new rates will go into effect on July 1, 1984, and the rates for trucks over 55,000 pounds will be incrementally phased upward during the next four years. For example, the rate for an 80,000 pound truck, effective July 1, 1984, will be $1,600; this changes to $1,700 on July 1, 1986, and reaches its maximum level of $1,900 on July 1, 1988.

As shown in Table 1, all buses are granted a full exemption from federal fuel taxes. This exemption represents a substantial subsidy to a particular class of heavy vehicles using the nation's highways, roads, and streets.

Gasohol using vehicles pay a 4¢ per gallon fuel tax. This results in gasohol using vehicles paying only 44% of the per gallon fuels tax paid by gasoline and diesel vehicles.

Also, as shown in Table 1, heavy vehicles traveling less than 5,000 miles annually were granted an exemption from paying the heavy vehicle use tax as were livestock tractor-trailer combination vehicles.

TABLE 1

FEDERAL USER FEE RATES ENACTED BY THE SURFACE TRANSPORTATION ASSISTANCE ACT OF 1982

User Fee Type	Rate
Gasoline	9¢/gallon
Diesel	9¢/gallon
Gasohol	4¢/gallon
Bus Fuel	Full exemption for all buses.
Tires	0-first 40 lbs. of tire weight. 15¢/lb. next 30 lbs. of tire weight. 30¢/lb. next 20 lbs. of tire weight. 50¢/lb. balance of tire weight.
Truck Sales	12% at retail for trucks over 33,000 lbs. GVW, trailers over 26,000 lbs.
Heavy Vehicle Use Tax:	
26,000-33,000 lbs. GVW	0
33,000-55,000 lbs. GVW	$50+ $25/1,000 lbs. over 33,000 lbs.
55,000-70,000 lbs. GVW	$600+ $52/1,000 lbs. over 55,000 lbs.
70,000-80,000 lbs. GVW	$1380+ $52/1,000 lbs. over 70,000 lbs.
80,000 lbs. and above GVW	$1900
	Top Rate: $1,600 on July 1, 1984 $1,700 on July 1, 1986 $1,900 on July 1, 1988
Trucks traveling less than 5,000 miles/year	Exempt

Source: Dr. Anthony Kane, U.S. Department of Transportation, Federal Highway Administration, February, 1983.

EQUITY OF THE FEDERAL HIGHWAY USER FEE STRUCTURE

As mentioned earlier, the federal highway user fee structure fails to meet both vertical and horizontal equity tests. This section examines the nature and extent of the inequities in the 1982 STAA user charge structure.

Exemptions

Without question, most exemptions are contrary to the basic purpose of equitable cost allocation, which is that each vehicle should pay for the highway costs it causes.[9]

The exemptions mentioned above lead to obvious cross-subsidy situations. The exemption of buses from the fuel tax means that other passenger vehicles must pick up their share of road wear and tear. The result is a vertical inequity.[10]

The gasohol exemption will primarily benefit passenger cars and pickups. By 1985 this is likely to amount to well over $100 million. Other passenger vehicles in the federal study were assigned this user tax liability, thus creating a horizontal inequity in the tax structure.

Other heavy vehicles were assigned the user tax liability resulting from the heavy vehicle use tax exemption of vehicles traveling less than 5,000 miles. The same is the case for the livestock tractor-trailer exemption. Both exemptions worsen the horizontal equity of the federal structure. To be sure, a heavy vehicle traveling less than 5,000 miles has the same per-mile cost responsibility for road use as does one traveling 100,000 miles (assuming similar load factors), and a load of Hereford cattle damages the road as much as a load of steel.

Cost Responsibility Between Vehicle Classes

A litmus test of vertical equity is to compare a vehicle classes' cost responsibility to its revenue payments. Table 2 provides such a comparison for eight major vehicle classes.

Autos and motorcycles are the only groups whose payments closely match their responsibility, with a 3 percent over-payment. Buses, as exempt vehicles, are not contributing anything toward their cost responsibility. Interestingly, the bus underpayment of $160.4 million is sufficient to offset the autos and motorcycles overpayment of $149.5 million. However, as pickups and vans are overpaying by $282.5 million, or 13 percent, the passenger carrying vehicles as a whole overpay by $271.6 [redacted] million. This sizable overpayment in effect represents a cross-subsidy to freight hauling vehicles and most especially the heaviest truck classes.

Single unit trucks (excluding pickups) are overpaying their share of costs by 18 percent and combination trucks under 70,000 pounds are overpaying by an even more significant 30 percent. Together, these lightest of the freight hauling vehicles are overpaying a whopping $426.6 million. This overpayment results in a significant cross-subsidy to the heavier combination vehicles, 70,000 pounds and over.

TABLE 2

COMPARISON OF VEHICLE CLASS RESPONSIBILITY TO USER PAYMENTS UNDER STAA (1982)
(Millions)

Vehicle Class	STAA (1982) Total Revenue	FHCAS Cost Responsibility*	Over or Under Payment	
			Total	Percent
Autos & Motorcycles	$5,586.0	$5,436.5	+$149.5	+ 3
Intercity Buses	0.0	33.3	- 33.3	
Other Buses	0.0	127.1	- 127.1	
Pickups/Vans	2,470.7	2,188.2	+ 282.5	+13
Other Single Units	1,106.2	937.5	+ 168.7	+18
Combinations	3,388.5	3,828.8	- 440.3	-11
Under 70,000 lbs.	(1,109.0)	(851.1)	+ 257.9	+30
70,000 lbs.- 75,000 lbs.	(979.1)	(1,097.5)	- 118.4	-11
Over 75,000 lbs.	(1,300.4)	(1,880.2)	- 579.8	-31
TOTAL	$12,551.4	$12,551.4		

* NOTE: The cost responsibility numbers shown here are 2 percent lower than the numbers given in the 1982 FHCAS. They were adjusted downward to reflect the vertical inequity problem for a given program level.

Source: Data compiled from information provided by Dr. Anthony Kane, U.S. Department of Transportation, Federal Highway Administration.

The 70,000-75,000 pound combination vehicles are underpaying their cost responsiblity by 11 percent, or $118.4 million, and the heaviest group, the over 75,000 pound class, is substantially underpaying by 31 percent, or $579.8 million. Together, the heaviest freight hauling vehicles are being subsidized by almost $700 million per year. This deficit is compensated by the overpayments made by passenger vehicles (except buses) and lighter trucks.

The data presented in Table 2 indicates that by 1985 the rates contained in the 1982 STAA will lead to a significant imbalance in vertical equity among user groups. The failure cf the legislated pricing structure to adequately reflect vehicle groups cost responsibilities will inevitably lead to overuse of highway facilities by the heaviest vehicle classes.

The problem of significant imbalance between cost responsibility and payments within the freight hauling group is a direct result of an inadequate user fee structure. The tax types chosen for trucks are not flexible enough to account for variations in weight and distance traveled.[11/] This is especially true for the excise taxes and the heavy vehicle use tax. Repeal of these taxes and the introduction of a tax type more responsive to weight and distance traveled is the key to improving the vertical equity of the federal structure.

Cost Responsibility Within Vehicle Classes

In addition to establishing equity between classes of vehicles (vertical equity), it is equally important to address the question of equity among the vehicles within each class (horizontal equity). Due to the composition of the federal tax structure under the 1982 STAA there are substantial horizontal inequities within the heavy vehicle classes which do not appear within the light vehicle classes. This is demonstrated in Tables 3 through 7, which compare tax payments and cost responsibilities at various annual mileages for five selected vehicle classes.

Table 3 shows that regardless of miles traveled the ratio of tax paid to cost responsibility for automobiles and motorcycles remains virtually constant. Under the 1982 STAA, automobiles and motorcycles pay all of their tax liability through the fuel tax. This tax is highly related to vehicle travel and retains, on the average, a close relationship to cost responsibility.

Table 4 illustrates that single-unit trucks have somewhat of a horizontal equity problem. A single-unit truck which travels 100,000 miles per year pays about seven times as much as one traveling 10,000 miles, while the cost responsibility of the 100,000 mile per year vehicle is ten times greater.

Tables 5 through 7, on the other hand, display data for combination vehicles which pay the new vehicle excise tax and the heavy vehicle use tax in addition to the fuel and tire taxes. As neither the new vehicle tax nor the use tax is related to mileage, the tax-payment/cost-responsibility ratio varies greatly with the amount of travel by a vehicle. For combination vehicles under 70,000 pounds (Table 5), for example, a vehicle traveling 10,000 miles per year pays 3.49 times its cost responsibility while one traveling 100,000 miles pays only .78 of its cost responsibility. Similar situations exist for combinations 70,000 to 75,000 pounds (Table 6) and combinations over 75,000 pounds (Table 7).

TABLE 3

COMPARISON OF 1985 TAX PAYMENTS AND RESPONSIBILITY AT VARIOUS ANNUAL MILEAGES UNDER 1982 STAA

AUTOMOBILES AND MOTORCYCLES

ANNUAL VMT	USE TAX	EXCISE TAXES	FUEL TAX 1/	TOTAL TAXES	COST RESPON. 2/	RATIO
9,940 (Avg.)	0	0	50	50	47	1.06
10,000	0	0	50	50	47	1.06
25,000	0	0	125	125	113	1.06
50,000	0	0	250	250	236	1.06
75,000	0	0	375	375	354	1.06
100,000	0	0	500	500	472	1.06

1/ Based on standard sized auto with average mpg of 18.0.

2/ Responsibility of $.00472 per mile based on a $12.6 million program. Derived from data in *Final Report on the Federal Highway Cost Allocation Study - Appendix C* and the Congressional Conference Report.

TABLE 4

COMPARISON OF 1985 TAX PAYMENTS AND RESPONSIBILITY AT VARIOUS ANNUAL MILEAGES UNDER 1982 STAA

SINGLE UNIT TRUCKS

ANNUAL VMT	USE TAX 1/	EXCISE TAXES 2/	FUEL TAX 3/	TOTAL TAXES	COST RESPON. 4/	RATIO
10,000	66	6	130	202	162	1.25
12,920 (Avg.)	66	8	169	243	209	1.16
25,000	66	15	326	407	405	1.00
50,000	66	30	652	748	810	0.92
75,000	66	45	978	1,089	1,215	0.90
100,000	66	60	1,304	1,430	1,620	0.88

1/ Assumes typical vehicle 2 axles at 33,500 lbs GVW.

2/ Includes tire excise tax only.

3/ Based on average mpg of 6.9.

4/ Responsibility of $.0162 per mile based on a $12.6 million program. Derived from data in Final Report on the Federal Highway Cost Allocation Study - Appendix C and the Congressional Conference Report.

TABLE 5

COMPARISON OF 1985 TAX PAYMENTS AND RESPONSIBILITY AT VARIOUS ANNUAL MILEAGES UNDER 1982 STAA

COMBINATIONS UNDER 70,000 Lbs.

ANNUAL VMT	USE TAX 1/	EXCISE TAXES 2/	FUEL TAX 3/	TOTAL TAXES	COST RESPON. 4/	RATIO
10,000	600	450	155	1,205	345	3.49
25,000	600	463	388	1,451	862	1.68
36,560 (Avg.)	600	473	567	1,640	1,261	1.30
50,000	600	485	776	1,861	1,725	1.08
75,000	600	507	1,164	2,271	2,588	0.88
100,000	600	528	1,552	2,680	3,450	0.78

1/ Assumes typical vehicle at 55,000 lbs GVW.

2/ Includes tire and truck sales excise tax. Retail $43,000 amortized over 12 years.

3/ Based on average mpg of 5.8.

4/ Responsibility of $.0345 per mile based on a $12.6 million program. Derived from data in *Final Report on the Federal Highway Cost Allocation Study - Appendix C* and the Congressional Conference Report.

TABLE 6

COMPARISON OF 1985 TAX PAYMENTS AND RESPONSIBILITY AT VARIOUS ANNUAL MILEAGES UNDER 1982 STAA

COMBINATIONS 70,000 TO 75,000 LBS.

ANNUAL VMT	USE TAX 1/	EXCISE TAXES 2/	FUEL TAX 3/	TOTAL TAXES	COST RESPON. 4/	RATIO
10,000	1,280	688	158	2,126	547	3.89
25,000	1,280	720	395	2,395	1,368	1.75
50,000	1,280	771	789	2,840	2,737	1.04
62,810 (Avg.)	1,280	798	992	3,070	3,438	0.89
75,000	1,280	823	1,184	3,287	4,106	0.80
100,000	1,280	875	1,579	3,734	5,474	0.68

1/ Assumes typical vehicle at 72,000 lbs GVW.

2/ Includes tire and truck sales excise taxes. Retail $66,569 amortized over 12 years.

3/ Based on average mpg of 5.7.

4/ Responsibility of $.05474 per mile based on a $12.6 million program. Derived from data in Final Report on the Federal Highway Cost Allocation Study - Appendix C and the Congressional Conference Report.

TABLE 7

COMPARISON OF 1985 TAX PAYMENTS AND RESPONSIBILITY AT VARIOUS ANNUAL MILEAGES UNDER 1982 STAA

COMBINATIONS OVER 75,000 LBS.

ANNUAL VMT	USE TAX 1/	EXCISE TAXES 2/	FUEL TAX 3/	TOTAL TAXES	COST RESPON. 4/	RATIO
10,000	1,520	725	158	2,403	734	3.27
25,000	1,520	757	395	2,672	1,834	1.46
50,000	1,520	809	789	3,118	3,668	0.85
67,960 (Avg.)	1,520	847	1,073	3,440	4,985	0.69
75,000	1,520	861	1,184	3,565	5,501	0.65
100,000	1,520	914	1,579	4,013	7,335	0.55

1/ Assumes typical vehicle at 78,000 lbs GVW.

2/ Includes tire and truck sales excise taxes. Retail $69,320 amortized over 12 years.

3/ Based on average mpg of 5.7.

4/ Responsibility of $.07335 per mile based on a $12.6 million program. Derived from data in Final Report on the Federal Highway Cost Allocation Study - Appendix C and the Congressional Conference Report.

These tables clearly demonstrate the inequity created by flat rate annual taxes. The vehicle which spends the most time on the road and "uses" the largest share of road services pays the lowest tax rate per mile, thus encouraging overuse of the nation's highways. An illustration of this may be derived from Table 5. A vehicle traveling 10,000 miles pays a per-mile rate of 12.1 cents ($1205 ÷ 10,000 miles), while the same vehicle traveling 100,000 miles would pay only 2.7 cents per-mile ($2680 ÷ 100,000 miles).

The largest horizonal equity problem resulting from the Federal user fee structure occurs within the heaviest trucks class, combination vehicles weighing over 75,000 pounds. It is not unusual for vehicles in this class to travel well over 100,000 miles per year. Thus these higher mileage vehicles are meeting less than 55 percent of their cost responsibility under the Federal fee structure. This then is the major problem with the current Federal highway user fee structure.

As with the solution to the vertical equity problem much of the horizontal imbalance would be rectified by repealing the new vehicle excise and heavy vehicle use taxes and replacing them with a tax that considers both weight and distance traveled by a heavy vehicle. This type of tax, in conjunction with a fuel tax, would bring tax payments more closely in line with cost responsibility, improving both horizontal and vertical equity.

An Equity Alternative

The 1982 STAA has built into it both horizontal and vertical inequities, as pointed out in Tables 2 through 7. A solution to both equity problems can be found by simplifying the federal tax package enacted in the 1982 STAA. This

TABLE 8

AN EQUITY BASED TAX STRUCTURE
BY VEHICLE CLASS

	Fuels Tax [1] Cents Per Gallon	Weight-Mile Tax Cents per Mile	Total Average Payments per Vehicle Mile Cents per Mile
Auto	9	EXEMPT [2]	0.5
Bus	9	1.1	2.6
Pickups/Vans	9	EXEMPT [2]	0.6
Single Unit Trucks	9	0.3	1.6
Combination Trucks			
Under 70,000 lbs.	9	1.8	3.4
70,000-75,000 lbs.	9	3.9	5.5
Over 75,000 lbs.	9	5.7	7.3
AVERAGE	9	2.2	0.7

[1] Includes Gasoline, Diesel, and Gasohol and other liquid or non-liquid fuels convertible to cents per gallon.

[2] Exempt except for vehicles powered by electricity and other energy sources not convertible to cents per gallon.

package was, itself, a simplification of the prior law, reducing the previous eight separate taxes to a total of four. A further reduction is proposed here by eliminating the excise taxes on new tires (over 40 pounds), the truck sales tax, and the heavy vehicle use tax, and replacing these with a graduated weight distance tax.

The proposed tax structure would contain a nine cent per gallon tax on all fuel and a graduated weight-mile tax. The proposed "equity" based tax structure is presented in Table 8.

As under the 1982 STAA, all vehicles would pay a 9 cent per gallon fuel tax. Only autos, pickups and vans would be exempt from the weight-mile tax. However, if single unit trucks were exempt from the weight-mile tax it would only create a nine percent underpayment by this group. The total dollar amount is less than $100 million or about 2 percent of total truck cost responsibilty.

The weight-mile tax rates listed are averages for broad weight groups. In the actual construction of tax tables much greater delineation between weight groups is necessary. For example, whereas the average cost responsibility weight-mile tax rate for the over 75,000 pound group is 5.7 cents per mile, the rate for the heaviest, most damage causing configuration in the group may be ten cents or more per mile. The lightest vehicle in this same group may have a weight-mile cost responsibility as low as four cents per mile.

The last column in Table 8 reflects each vehicle group's average total payment per mile for the combined fuel and weight-mile tax payments. If the total rates per mile are appropriately established, then payments by each vehicle class will approximate their cost responsibility.

Table 9 gives the total payments by each vehicle class under the proposed equity based tax structure and Table 10 compares these payments with the cost responsibilty of each class as determined by the Federal Highway Cost Allocation Study. The equity based tax structure raises approximately the same amount of money as the FHCAS structure.

As can be seen from comparing Table 10 to Table 2, the equity based tax structure greatly improves the vertical equity between the major vehicle classes. Although under the equity based structure autos, pickups, and vans are still overpaying, the weight-mile tax, due to its flexibility, adjusts all other classes to their cost responsibility. Thus, the equity based tax structure virtually eliminates cross subsidization between broad vehicle classes.

CONCLUSIONS

Highway cost responsibility studies are unquestionably important. The Federal government as well as many states are investing heavily in resources to conduct such studies. It makes little sense, however, to conduct cost responsibility studies unless there is the commensurate desire to implement a tax structure flexible enough to capture the costs identified (either singularly or collectively).

Congress seems to be sensitive to this point in calling for a new study [Section 513g of the STAA (1982)] of alternatives to the heavy vehicle use tax. Congress has even moved up the target date for completion of this study by a full year.

TABLE 9

TOTAL PAYMENTS BY VEHICLE CLASS UNDER AN EQUITY BASED TAX STRUCTURE

(MILLIONS)

					Combination Trucks			
					1,000 Pou			
Tax	Auto	Bus	Pickups/ Vans	Single Unit Trucks	70	70-75	75	Total
Fuel	$5,586.0	$ 88.1	$2,470.7	$853.6	$350.9	$ 282.9	$ 363.4	$ 9,995.6
Weight-Mile	—	72.3	—	83.9	500.2	814.6	1,516.8	2,987.8
Total	$5,586.0	$160.4	$2,470.7	$937.5	$851.1	$1,097.5	$1,880.2	$12,983.4

TABLE 10

PAYMENTS UNDER EQUITY BASED TAX STRUCTUE COMPARED TO FHCAS COST RESPONSIBILITY--BY VEHICLE CLASS

(Millions)

Vehicle Class	FHCAS Cost Responsibility	Equity Tax Structure Alternate	Over(Under) FHCAS Amt.	Over(Under) FHCAS %
Auto	$ 5,436.6	$ 5,586.0	$149.5	2.7
Bus	160.4	160.4	—	-
Pickups/Vans	2,188.2	2,470.7	282.5	12.9
Other Single Units	937.5	937.5	—	-
Combination Trucks	3,828.8	3,828.8	—	-
Under 70,000 lbs.	(851.1)	(851.1)	—	-
70,000-75,000 lbs.	(1,097.5)	(1,097.5)	—	-
Over 75,000 lbs.	(1,880.2)	(1,880.2)	—	-
Total	$12,551.4	$12,983.4	$432.0	3.4

There has been substantial controversy over the new rates proposed in the 1982 STAA. Many truckers feel heavily burdened by the new rates. Some have a valid point as was demonstrated by this paper's discussion of the horizontal inequity in the STAA rates (low mileage vehicles are seriously overpaying to the benefit of higher mileage vehicles). On the average, however, truckers do not have a justifiable complaint. If one accepts the results of the Federal Highway Cost Allocation Study, the two heaviest classes of trucks are underpaying by $700 million.

Exemptions add significantly to both vertical and horizontal inequity. The gasohol exemption must be eliminated in order to fairly treat other passenger vehicles. Buses are making no contribution toward their road user cost responsibility.

Congress evidently judges the bus exemption to be justifiable when consideration is given to other social objectives, such as assisting low income people who ride buses; however, it should not be forgotten that other road users must pick up over $160.4 million in cross subsidy payments. Exempting heavy vehicles that travel under 5,000 miles per year from the heavy vehicle use tax may improve the relative equity with other large vehicles under the cumbersome federal user fee structure, but makes no sense in terms of cost responsibility.

Only by adopting a national weight distance tax can the inequities addressed in this paper be corrected. Weight distance taxes are practical, proven, and can be efficiently administered (Oregon has found that collection and administration costs are less than 5 percent of revenue).[12/]

Given the current Congressional interest in improving the equity of the Federal user fee structure the time is ripe for Federal enactment of a weight-distance tax. In the words of the 1982 _Final Report on the Federal Highway Cost Allocation Study,_ the adoption of such a tax "... could contribute significantly to a fairer and more efficient tax structure."

NOTES AND REFERENCES

1/ For a detailed discussion of previous Federal studies, see: Who Pays for Highways: Is a New Study of Highway Cost Allocation Needed?, U.S. Congress, Congressional Budget Office, Government Printing Office, Washington D.C., 1978, pp. 53-73.

2/ Final Report on the Federal Highway Cost Allocation Study, U.S. Department of Transportation, Government Printing Office, Washington D.C., May, 1982.

3/ The preliminary report is scheduled for July, 1983 and the final study, January 1, 1984.

4/ Although most economists would prefer to see the state of the art for cost allocation studies advance to include a user charge system based on efficiency criteria, the Final Report on the Federal Highway Cost Allocation Study rejected this approach primarily because Congress explicitly requested the study be based on equity criteria. However, to the extent that the "cost occasioned approach" used in the study ensures that benefits received by users are at least as great as the costs they occasion, efficient use of resources are encouraged.

5/ For a more complete discussion of equity, see: Motor Vehicle Cost Responsibility Study, Final Report, Oregon Department of Transportation, Henion, Krukar, and Merriss, pp. 1-3 - 1-4, March, 1981.

6/ For an excellent discussion of efficiency, see: "Net Benefits from Efficient Highway User Charges", Douglas B. Lee, January, 1982. This paper is included in the Final Report of the Federal Highway Cost Allocation Study, May, 1982. For a detailed microeconomic discussion of road pricing, see: The Economics of Road User Charges, A. A. Walters, International Bank for Reconstruction and Development, John Hopkins University Press, 1968.

7/ "The State Perspective on Highway Design," Loyd Henion, presented at the National Tax Association--Tax Institute of America, 72nd Annual Conference on Taxation, Oklahoma City, Oklahoma, October 30, 1979.

8/ "Use of Road Test Findings by AASHO Design Committee", The AASHO Road Test: Proceedings of a conference, Langsner, Huff, and Liddle, HRB Report 73, St. Louis, Missouri, May 16-18, 1962.

9/ Throughout the paper, the words "exempt" or "exemption" includes exemptions, credits, and/or refunds of federal highway user fees.

10/ The Final Report on the Federal Highway Cost Allocation Study: This study assigned the bus user charge liability to passenger vehicles, whereas the liabilities of all other exempt categories were assigned to other vehicles within the same class.

11/ "The Oregon Experience with Weight-Distance Taxes", Henion and Merriss, Statement to the Assembly Committee on Transportation of the California Legislature, September 30, 1982.

12/ Ibid.

EXHIBIT 3

REQUEST FOR PROPOSAL DOCUMENT

This title page and the three attachments hereto, identified as Parts I through III, consitute the request for proposal document for a planned study to be performed for the American Association of State Highway and Transportation Officials, titled:

"AASHTO STUDY ON MOTOR CARRIER TAXATION AND
REGISTRATION ISSUES"

Contents

Part I: Description of Work to be Performed by Consultant

Part II: Description of AASHTO Study on Motor Carrier Taxation and Registration Issues

Part III: Detailed Proposal Instructions

ASSIGNED STAFF AND ORGANIZATION.

The name of the proposed principal inverstigator and the names and roles of other professional staff to be assigned to the project are requested. It is specifically requested that resumes of the proposed staff be provided which emphasize and detail each person's particular educational or experience qualifications which render him or her suitable to the role assigned. It is expected that the principal investigator will be exclusively assigned to the project for at least 50% of the working time over the anticipated six-month project duration. Suggestions of organizational arrangements and features vis-a-vis the Steering Committee and consultant, which will help assure an effective and efficient project will be welcomed. This should include suggestions for apportioning tasks between the consultant and AASHTO member departments.

RELEVANT EXPERIENCE

Detailed descriptions of previous projects or work efforts, which are similar or related in subject area or scope, are requested. It is further requested that the name of a client contact and telephone number be included with each such described project. Although brief information on the firm's general background and qualifications will be helpful, large amounts of such general material is neither necessary nor desirable.

COST PROPOSAL

It is anticipated that a time and materials contract be entered into with an overall cost ceiling of $150,000. It is expected that all intermediate and final products resulting from the will become the property of AASHTO, including any computer software developed to conduct any analyses (this latter to include documentation, source deck, operation system and configuration requirements, and such other information as required to use such software).

Specific elements requested in the cost proposal include:

Daily billing rates for each named person to be assigned to the project. Non-exempt personnel may be quoted by category.

The percentage breakdown of the above labor rates into the following categories: payroll salary, finge benefits, overhead, general and administrative (if any), and earned fee or profit.

The proposed method for recovery of non-labor, other direct charges, i.e., whether these will be at cost or will include general and administrative, "handling" or other additional charges.

DECISION:

It is expected that a decision on the consultant to be selected will be made by mid June, and a contract developed for the work to begin approximately July 1, 1983.

Part II: DESCRIPTION OF AASHTO STUDY ON MOTOR CARRIER TAXATION AND REGISTRATION ISSUES

BACKGROUND:

At their Annual Meeting in Phoenix, Arizona, on March 11, 1983, the AASHTO Standing Committee on Planning moved to establish a Task Force to look into the possibility of significant tax losses on diesel fuel, the International Truck Registration Plan vis-a-vis the Surface Transportation Assistance Act (STAA) as well as the problems of retaliatory state taxes, the possibility of federal preemption of state laws in this area, current FHWA/OST and American Association of Motor Vehicle Administrators (AAMVA) activities in this area, and other related issues. Chairman Larson has subsequently selected Lowell K. Bridwell to Chair this Task Force. The efforts of this Task Force will require coordination with John Kemp's (Kansas) Task Force involvement with FHWA in developing a Cost Allocation Study Manual and other related activities.

AASHTO has reviewed the Federal Highway Cost Allocation Study and has developed a report which was adopted at the Annual Meeting in Orlando, Florida, with the following resolution:

"NOW THEREFORE, the Policy Committee of the American Association of State Highway and Transportation Officials acting at its November 21, 1982, meeting in Orlando, Florida, concurs in the findings of the Federal Highway Cost Allocation Study and recommends that legislation be enacted as soon as possible to assure that the various classes of highway users pay their fair share of the cost. It is further recommended that a national weight distance tax be considered as a more equitable tax approach with the administration and collection to be structured at the state level with either the states being reimbursed for their expenses in administration and collection, provided that no preemption of state laws establishing weight distance or ton mileage taxes occurs because of the establishment of a national weight distance tax."

Pursuant to Section 513(g) of the STAA, the U.S. Department of Transportation and the Internal Revenue Service will perform a study on alternatives to the heavy truck use tax. This Section of the STAA requires further that the study be conducted in consultation with state officials. Secretary Dole has agreed to accelerate this study to completion date of January 1, 1984.

Related to this, NASHTO recently passed a Resolution urging a study and possible implementation of a National Truck Plate method of fee collection preempting state taxation of trucks engaged in interstate commerce and providing uniform issuance of all normal permits and operation authorities and uniform collection of fees assocated with those permits and authorities. The NASHTO Resolution also urged support of the principle of using weight and distance in the establishment of any such fees with those fees to be returned to the states on a pro-rata basis depending upon the usage of each state by interstate carriers paying those fees, such funds to be distributed in block grant formulas.

It should be noted that there has been some work done on the problems of non-uniformity, inequity and non-compliance in various truck tax schemes. An ICC/DOT report to Congress, required under Section 19 of the Motor Carrier Act of 1980, regarding Uniform State Regulations, recommends a weight distance tax reported yearly or quarterly, as the most equitable and easily administered of

Part I: DESCRIPTION OF WORK TO BE PERFORMED BY CONSULTANT

The consultant will be required to serve as project manager of this effort, as well as technical and conceptual analyst. In conducting this study, the consultant will be required to work closely with the Steering Committee comprised of officials from twelve AASHTO member departments. Individual members of the Steering Committee, as well as other staff from AASHTO member departments, will supplement the staff of the consultant in conducting portions of the work. Beyond this, a Steering Committee staff contact will be designated for day-to-day liaison with the selected consultant.

There are thirteen tasks envisioned, as noted on pages 5, 6, and 7 of this attached description of the study (Part II). Some specific points to be made with respect to the study's work program are the following:

- It is anticipated the heavy reliance will necessarily be made on existing, secondary data sets; time and other resources will be insufficient to collect significant amounts of new data.

- Task 12 involves comparison of alternative tax collection approaches. It is envisioned that this will require computer-assisted analysis. If convenient and cost-effective, access to a main frame computer will be afforded by an AASHTO member department.

The principal investigator designated by the consultant will be expected to possess a working knowledge of the trucking industry, its regulation and its economic aspects. The principal investigator will be required to devote at least 50% of his or her working time to this effort over the expected six month duration of the project.

It is expected that there will be four (4) meetings between the consultant and the Steering Committee of two or three days duration each. These will afford an opportunity for initial discussion and agreement on details of the study, progress to be reported, intermediate and tentative final recommendations presented, and instructions given for further emphasis areas and directions.

The final product expected from the consultant will be a draft final report covering the study conduct, findings, and recommendations to the Steering Committee. AASHTO will undertake responsibility for further reproduction and distribution of the report.

third structure taxes which could provide a standard basis for taxation with the result of greater uniformity. The report also recommends the following:

"While the development of standards by the Federal Government has some benefits, state administrators are in a much better position to formulate standards to be implemented by the states. For this reason, it is recommended that a task force of state representatives responsible for registration, fuel taxes and third structure taxes be charged with defining uniform standards for state requirements imposed on motor carriers. Alternatively, the American Association of Motor Vehicle Administrators (AAMVA) and the North American Gasoline Tax Conference (NAGTC) as professional associations made up registration administrators and fuel tax administrators, could be enlisted to develop uniform standards." Also, a recent study performed by the University of Iowa regarding methods for improving highway financing in Iowa noted the advisability of a system based on a vehicle's gross weight and the distance that it operates on that States's highway system.

While the above items of compliance and administration have a major impact on government agencies and the trucking industry, therre are other significant changes taking place in the trucking. Some of these stem from the Motor Carrier Act of 1980 (Trucking Deregulation), and the Staggers Act (Railroad Deregulation). Others are related to the deep recession in the national economy and the STAA of 1982.

STATEMENT OF THE PROGRAM AND REASONS FOR AASHTO'S INVOLVEMENT:

The issue of heavy truck use taxation poses the following problems requiring AASHTO's involvement and investigation:

1) Complexities of the current tax structures and collection requirements are creating administrative difficulties for the trucking industry and governmental agencies. Such complexity results in the disruption of the free flow of interstate commerce by increasing to various degrees the cost of doing business, and is an impediment to economic deveopment.
2) The growing realization that significant losses in the collection of truck fees are occurring as the result of evasion by those subject to the various taxing schemes.
3) The requirement for a federal study on alternatives to heavy truck use taxaion along with the mandate of state involvement in this study.
4) The need to maintain a revenue base for preservation for an adequate highway system for trucks with various users paying their fair share of the highway damage they occasion. There is a need to coordinate this effort with the concept of a national intercity truck network.

TASK BY TASK SUMMARY:

1) Inventory current federal and state truck tax procedures including, but not limited to, the STAA revisions, Safety Inspection, Licensing and Fees, and Permitting. This inventory would also include the nature of operating authority and the unique local taxing structures for heavy trucks.

2) Determine administrative and compliance issues at state and federal levels associated with each taxing mechanism.
3) Determine what share of highway user taxes trucks are paying according to current state federal taxing structures.
4) Analyze current truck taxes as compared with Federal and State Cost Allocation Studies.
5) Evaluate collection methods and the attendant burdens imposed on governmental agencies and the trucking industry, with particular regard to costs of administration and levels of evasion and apportionment issues.
6) Establish a data base reflecting revenue levels under existing taxing systems.
7) Investigate structural changes in the trucking industry that are occurring as a result of the deregulation of the trucking and railroad industries. Consideration should also be given to changes that have occurred as a result of the economic recession, and the 1982 STAA.
8) One-on-one interviews will be conducted with various components of the trucking industry and shipping companies to ensure that private sector points-of-view are incorporated.
9) Develop a list of alternative taxing methods.
10) Develop criteria with which to evaluate these taxing methods, with particular consideration given to administration, implementation, and safety issues as they relate to minimizing non-productive taxes.
11) Preliminary evaluation of alternatives and selection of user fee options for further testing.
12) Quantitative analysis of selected options to determine state revenues anticipated and compare them to existing revenues.

13) Select final options/write report.

STUDY COORDINATION:

It is proposed that AASHTO undertake a study as outlined. During conduct of the study, close consultation and coordination with appropriate public and private sector organization will be undertaken. In addition, coordination with other related state associations will be conducted through the National Governor's Association, in an effort to develop a consolidated policy that can receive general endorsement by the states. It is to be understood that AASHTO will retain its prerogative to develop a policy document acceptable to our member departments.

TASK FORCE MEMBERSHIP:

The task force will be chaired by Lowell K. Bridwell, of Maryland, and will include representation from three states in each AASHTO region. It is intended that the chief administrative officers of the states involved constitute the task force, but each CAO will be expected to designate a technically capable individual for task force work. Active involvement of the member departments in the task force is expected, including utilization of member department personnel and facilities.

NEED FOR CONSULTANT ASSISTANCE:

Due to the complexity of these issues and the time constraints under which effort would have to be undertaken, it is impractical for any one state to undertake the responsibility for conduct of this study. In addition, the inter-relationship of the task would make it impractical to divide the work amoung several states. Therefore, it is necessary to obtain consultant assistance to provide project management and conceptual and technical anlysis, with the Task Force serving as the Steering Committee for the project.

The most logical approach would be to develop a consultant contract with AASHTO, using HP&R pooled resources from as many states as possible. This is clearly consistent with the policy statement on HP&R money published by the FHWA in the Federal Register of November 4, 1982.

The total budget is estimated to be $200,000. Of this, approximately $150,000 would be devoted to the consultant effort with the balance available to cover Steering Committee travel expenses. In addition, the consultant selected should have as much knowledge and expertise in truck taxing and regulatory issues as possible, and be analytically oriented.

SCHEDULE:

This project is expected to begin approximately the first of July, and all work will be completed by December 31, 1983.

Part III: DETAILED PROPOSAL INSTRUCTIONS

WHEN DUE:

Written proposals are due at 3:00 p.m., Friday, June 3, 1983, at the offices of the American Association of State Highway and Transportation Officials (AASHTO). AASHTO is located at:

444 N. Capitol Street, N.W.
Suite 225
Washington, D.C. 20001

This deadline will be stricly observed; any proposal arriving after the deadline will not be considered, and will be returned unopened to the proposer. Mailed proposals must arrive at AASHTO's offices by June 3.

NUMBER OF COPIES:

Twenty (20) copies of the proposal are requested. Expensive or unusual bindings or other features of the document are neither desired nor necessary.

PROPOSAL CONTENT

The specific organization of the proposal document is the responsibility of each proposer. However, it is required that the following items be included:

Understanding of the Problem and Suggested Technical Approach.

Recognizing that the Steering Committee reserves the right to identify emphasis areas, and to adjust or refine the work program as it progresses, it is requested that the proposer set forth his/her perception of the problem to be addressed, and a tentative technical approach to the project, including data resources needed and anticipated products. It is anticipated that a portion of the project will be devoted to comparing the yields and impacts of alternative taxing structures, and specific approaches to this point will be sought. This portion of the proposal must be limited ot twenty (20) typewritten pages or less.

STATEMENT BEFORE THE
TRANSPORTATION SUBCOMMITTEE OF THE
SENATE COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS

H. S. Coulter, Oregon State Highway Engineer
Boise, Idaho - August 22, 1983

Mr. Chairman and members of the Committee, I am Scott Coulter, State Highway Engineer for the Oregon Department of Transportation. I am pleased to have the opportunity to be here and share with you my thoughts on the transportation issues for which you requested testimony.

Before commenting on the issues, I would first like to take a few moments to express Oregon's perspective on road user finance. Oregon's highway finance structure has been an evolution guided by three persistent principles: (1) that those who benefit from public roads should pay for them; (2) that road users should pay for the cost of public roads in proportion to the road costs for which they are responsible (that is to say, the cost responsibility principle); and (3) that road user taxes should be used primarily for constructing, improving and maintaining the highways.

Road user taxes were initially levied against motor vehicles to cover the costs of registration. Taxes on motor vehicle operators were expanded in 1919, when Oregon became the first state in the nation to enact a motor fuel tax on gasoline. This 1¢ tax was an important step in the direction of a true user tax concept as the incidence of the tax fell on road users in proportion to the amount of use. As the concept of cost responsibility was further developed, the motor fuel tax began to be viewed as the best means of collecting from basic vehicles (primarily passenger cars) the share of costs for which they were responsible.

Later, a third structure of road user taxes (that is, a tax other than registration fees and fuel taxes) was applied for heavy vehicles (primarily trucks and buses). These "third structure" taxes began with a ton-mile tax in 1925. Beginning in 1935, a series of studies were undertaken to determine the cost responsibility of various sized vehicles, and to evaluate alternate methods of establishing tax rates based on cost responsibility. A 1945 study led to the passage of Oregon's first incremental weight-distance tax, which became effective in 1947.

Today, the Oregon State Highway Fund is derived from three major highway user taxes: (1) vehicle registration and operator's fees; (2) motor vehicle fuel taxes (primarily the gasoline tax); and (3) motor carrier fees (the weight-distance tax). The combination of these taxes is based on the cost responsibility concept, which in Oregon, is generally accepted as a means of equitable taxation for basic and heavy vehicles.

I would now like to concentrate a little more specifically on the weight-distance tax as administered in Oregon, since this has been a topic of considerable discussion. The Oregon weight-distance tax is levied on the basis of registered (or declared) gross vehicle weight, which is typically the maximum weight at which a particular vehicle can operate. The schedules are graduated in terms of 2,000-pound increments, with the rates expressed in mills (tenths of a cent) per mile. The current rates for diesel-powered trucks range from seven mills (0.7 cent) per mile for the lightest vehicle group to 75.5 mills (7.55 cents) per mile for a truck registered at 80,000 pounds. At present commercial vehicles do not pay any fuel tax on deisel.

With few exceptions, all carriers, both **intra**state and **inter**state, operating in Oregon are required to pay weight-distance taxes for their travel in the state. The weight-distance tax is administered by the staff of the Public Utility Commissioner's (PUC) Motor Carrier Program. Forty-eight people are employed in the collection of the tax, including 27 full-time auditors. The PUC uses an electronic data processing system to maintain a detailed accounting record for each motor carrier registered with them.

The Motor Carrier Program has sufficient flexibility to serve the needs of several different types of carriers operating on Oregon's highways. For carriers making frequent use of Oregon highways, a PUC plate is the most convenient method of registering vehicles and paying taxes. These carriers are responsible for computing each truck's total miles of operation and calculating the tax due the state. Operator reports are completed and filed either monthly or quarterly with the PUC, along with the tax payments.

Truckers whose operation in Oregon is only occasional may prefer to operate their vehicles on short-term authority, or temporary passes. In this case, payment of the weight-distance tax is filed as each trip is made.

In recent years, The cost of directly administering Oregon's weight-distance tax is approximately 5 percent of gross collections. Furthermore, compliance with Oregon's weight-distance tax has been quite good. Our PUC staff estimates that they collect **at least 95%** of the taxes due. Thus, our experience shows that in Oregon this type of tax can be efficiently administered with collection costs that are quite reasonable and with an evasion rate that is less than past estimates of evasion of federal user taxes.

We strongly support a system of road user taxation that equitably charges vehicles of different sizes and weights and is fair to both low and high mileage vehicles. In this age of increasingly scarce funds for preserving our highways, it is even more appropriate that **all** road users pay their fair share of highway costs.

It is with these thoughts in mind that I would now like to address each of the issues for which you requested testimony.

Impact of the Tax Structure Implemented by the STAA on the Trucking Industry

The impact of the tax structure on the trucking industry can be viewed from two different positions. First, how fair are the rates for vehicles driving different amounts of miles that operate in the same weight-class; and secondly, how do the rate increases impact their cost of operation.

The following example is for a typical 3-S2, 80,000 pounds Gross Vehicle Weight (GVW) rig that is fully loaded 40 percent of the time.[1]

Under the STAA rates, when fully implemented, this common size vehicle operated for different annual miles of travel, would pay significantly different road user costs reduced to cents per mile as follows:

Annual Miles	Cents Per Mile
5,000	51.4
20,000	14.5
60,000	6.5
120,000	4.9

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[1] U.S. Department of Transportation, Federal Highway Administration; Working Paper on Alternatives to Tax on Use of Heavy Trucks, July, 1983

The low mileage vehicle traveling 5,000 miles per year, pays more than 10 times the per-mile road user taxes paid by the high mileage vehicle traveling 120,000 miles a year. This represents a substantial inequity with the low mileage operator providing a substantial subsidy of the high mileage owner. Even the 60,000 mile vehicle, operating at nearly the average annual mileage of vehicles in the over 75,000 pound class, is required to pay a per mile rate 33 percent greater than that paid by the high mileage vehicle.

The STAA rates are just as inequitable for vehicles operating in different weight classes. As another example, a single unit, 46,000 pound GVW truck (operating fully loaded 40 percent of the time),2/ traveling 5,000 miles per year would pay 15.7 cents per mile in user fees. The same vehicle traveling 20,000 miles per year, approximately the average annual miles for such a vehicle, would pay 5.3 cents per mile in user fees--a payment of only one-third that of the low mileage vehicle.

As to the impact of the STAA rate increases on truck operating costs, we can once again use cents per mile as a yardstick. FHWA estimates that by 1988 a typical 80,000 GVW 3-S2 traveling 100,000 miles per year will probably experience operating costs between $1.00 and $1.30 per mile. The pre-STAA user fee for such a vehicle was estimated by FHWA to be 2.4 cents per mile. The STAA rate increases would raise the user fee increase of 3.1 cents per mile, for an overall operating cost increase of two to three percent. Thus, as indicated from the above example the STAA rates will not significantly increase truck operating costs for high mileage vehicles. For low mileage

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2/ USDOT, FHWA, Working Paper on Alternatives to Tax on Use of Heavy Trucks, ibid.

vehicles such as the 5,000 mile example discussed earlier, the heavy vehicle use tax when prorated over this much shorter distance results in a substantially larger per-mile operating cost increase.

Productivity Gains

I believe the issue of increased truck productivity made possible by the STAA changes in truck size and weight laws is of considerable importance. I am of the opinion, however, that the "jury is still out" on this issue and we will not really know the answers until we have had time to monitor the impact. In the final analysis, the market place will provide answers to most of these questions.

I am aware of the fact that some firms have already expanded their utilization of combination vehicles to now include coast-to-coast operations. This leads me to believe that the marketplace is already responding and the trucking industry is reaping some of the advantages provided by the STAA changes. Elimination of the barrier states on gross weight, legalization of double bottoms on the East Coast, and the permissibility of longer/wider trucks should **all** aid the profitability and productivity of commercial truck movements.

In this regard, I am happy to report that Oregon has long been a leader in promoting the use of **more productive trucks**--which we believe is a win/win situation. By permitting larger combination vehicles, supported by more axles, the trucking industry is able to reduce its average cost per ton hauled. (This is especially true for regular route, low density haulers who travel many miles and can easily pre-plan their trips.) Fortuitously, it also helps State and Federal road authorities. These more productive combination vehicles supported by more axles have lower axle loads--the very factor which contributes the most to pavement and bridge damage. By not compromising on the single or on tandem axle load limits while remaining within the limitations of the bridge table "B", the end result is the promotion of average lower axle loads and thus lower pavement and bridge damage.

We in Oregon do have one concern with respect to the truck size issue and that is the 48-foot semi-trailer combination. Without insisting on some awkward, abnormal kingpin setting limitations, these trailers are simply too long and cannot safely negotiate many intersections, interchanges, and corners. Sidewalks are not made for truck traffic! We therefore believe that voluntary limitations on the use of this particular combination would be very desirable and better yet, we encourage the industry to phase it out.

As a final comment, I want to reiterate that we need more information regarding the overall impact of legalizing the usage of larger combination vehicles throughout the nation before we draw our final conclusions. Safety issues have yet to be thoroughly investigated. An upcoming study will analyze the safety and other effects of allowing small double-bottom trucks to operate on highways, roads, and streets. This study, contracted by FHWA to the Transportation Research Board, is scheduled to begin in fiscal year 1984 (mandated by Section 144 of STAA).

Another study, mandated by Section 138, which will address the productivity and safety issues of the larger combinations (i.e., triple-bottoms and turnpike and Rocky Mountain doubles) is now under way at FHWA and is expected to be finished in about a year. This study will explore the following items as they relate to the use of larger truck combinations, reductions in truck operating costs, pavement and bridge wear, modal shifts, and safety. By taking an in-depth look at case studies conducted in areas where these vehicles currently operate, recommendations will be made regarding what highways, roads, and streets can be appropriately designated for use by these larger combination vehicles.

Since these studies will not be ready for some time, I believe that final judgment should be reserved until we are able to scrutinize the results-- and, if appropriate, make necessary adjustments in the current laws.

Legislative Proposals

I understand that there have been over 20 alternative taxing proposals introduced in Congress since the STAA. Some of these bills, such as S-15 and HR-2401, repeal the Heavy Vehicle Use Tax in its entirety without any compensatory taxes. These bills are not responsive to the goal of the Administration and Congress to ensure that highway taxes be collected in a manner equitable to all users as well as meeting practical limits of administrative feasibility. In fact, passage of such a bill would reinstitute the pre-STAA inequities among vehicle size and weight pointed out in the Highway Cost Allocation Study together with obliterating the new Federal Highway dollars so vital to us all. I believe enactment of such a bill would be a mistake.

Other bills, such as S-343, would substantially reduce the Heavy Vehicle Use Tax with no replacement funds. These appear fraught with the same problems; inequity between user groups and a serious loss of revenue. HR-1436 and S-138 seem only slightly better because even though they return the Heavy Vehicle Use Tax back to the pre-STAA levels, they do add some replacement dollars through a 4¢ diesel differential.

Two other bills appear identical in nature, HR-2124 (Frenzel Bill) and S-1475 (Wallop Bill). These bills repeal the Heavy Vehicle Use Tax and add a phased in diesel differential of two cents followed a year later with an additional three cents to a total federal tax on deisel fuel of 14¢ per gallon. The amount over 9¢ per gallon would be rebated to automobiles and other lighter vehicles. The differential fuels tax in these bills represents one step toward equity for vehicles within a class, since fuel taxes vary with highway use. However, by repealing the Heavy Vehicle Use Tax, inequities between classes of vehicles would increase. The end result is that combination trucks would be heavily subsidized by the lighter commercial vehicles. If either of these bills were enacted, combination trucks over 75,000 pounds would contribute approximately 64 percent of their cost responsibility as defined in the Highway Cost Allocation Study as compared to 71 percent under the STAA rates. I also want to mention that it requires more than a 5-cent diesel differential to replace the revenue lost by repeal of the Heavy Vehicle Use Tax.

It is our intention to provide good objective comments about the various legislative proposals. In reviewing them now they seem to have a critical tone for which I apologize. It is our strong conviction that none of them should be enacted at this time. It is also our recommendation that the following sequence of events should take place before making a final decision:

(1) The studies under way on Alternatives to Tax on Use of Heavy Trucks by the Departments of Transportation in consultation with the Department of the Treasury and study by an AASHTO task force, ano perhaps other investigations should be completed.

(2) The various user groups, the States and the Department of Transportation should review the studies and provide their comments and conclusions.

(3) Congress should evaluate those comments and conclusions and then, if appropriate, enact changes in the law.

Effect of Increased Size and Weights on Roads and Bridges

The issue of increasing size and weights is of critical importance to us all. We, as public officials, must find ways of allowing the trucking industry to take advantage of the efficiency gains made possible by larger sized vehicles provided--and this is important, I believe we can do so without compromising wear and tear on a rapidly deteriorating system of roads and bridges. In fact, by and large in the western states, even prior to the STAA, vehicles have been operating with the axle and gross weights included in this important legislation that Congress passed last year.

We, in Oregon, do not believe the 102-inch allowable width on commercial trucks will create any problems. In any event, this does not represent a significant change as 102-inch buses have been used for many years.

I want once again to restate or at least remind you of our concern over the 48-foot semi-trailer. The off-tracking of this vehicle potential presents a very serious problem. I believe you will find this concern to be widespread throughout the nation.

The larger combinations, triples, turnpike and Rocky Mountain doubles, some of which have been operating in many western states, offer new opportunities for productivity gains. Although it is still too early to know exactly where these larger combinations should be allowed, we believe studies currently under way will give valuable information to use in determining appropriate networks on systems. My hope is that in the final analysis, the various state entities responsible for the operation of these and highways will be reasonable. If we are going to reap the benefits offered by these more productive vehicles, a sufficient degree of access must be allowed. The rewards will be small if we end up forcing the industry to operate two fleets, one only allowed to operate over the interstate and major primary system and one that would be needed to transport the goods over the rest of our roads, streets and highways. In Oregon, I am determined to obtain such a system and am dedicated toward it operating safely for the benefit of all Oregonians.

The Section 138 and 144 studies should provide assistance and be of help in making a proper system determination without disregarding appropriate safety considerations.

Comments on the 513(g) Study

Section 513(g) of the Surface Transportation Assistance Act (Public Law 97-424, 96 Stat 2177) called for a study of alternatives to the heavy truck use tax, with the goal, as expressed by the administration and Congress, to ensure that highway taxes be collected in a manner that is not only equitable to all users, but also within practical limits of administrative feasibility.

In a working paper on "Alternatives to Tax on Use of Heavy Trucks" by the U.S. Department of Transportation, nine alternative options are presented. As expressed in my opening comments, we strongly support a system of road user taxation that equitably charges vehicles of different sizes and weights and is fair to both low and high mileage vehicles. It is important that all road users pay their fair share of highway costs. To this end, it is desirable to the maximum extent practical, that a selected alternative meet the six criteria of equity, efficiency, productivity/predictability, administrative feasibility, payment ease, and compliance and enforcement, expressed in the USDOT Working Paper.

In order to evaluate the alternative options for the heavy vehicle use tax, a matrix was developed, rating each of the nine options against the criteria, which is shown in the following table entitled "Evaluation of Alternative Options for the Heavy Vehicle Use Tax." The table uses Good, Fair, Poor, and Undetermined as the ratings. Good is intended to mean that the option closely meets the general definition of the criterion. Fair indicates that the option has elements that attempt to address the general definition of the criterion, but falls short of closely meeting the definition. Poor suggests that the option does not meet the general definition of the criterion. Undetermined is used to indicate that sufficient information is not currently available upon which to make a judgment as to how close the option will come towards meeting the general definition of the criterion.

Definitions for the criteria were the same as presented in Chapter V of the FHWA Working Paper as Objectives. A brief summary of these definitions is as follows:

Equity--The balance between costs occasioned or allocated and the benefits received. We also took the liberty of providing in the matrix a rating for both vertical and horizontal equity. Vertical equity being between different classes of vehicles and horizontal equity being between vehicles in the same class.

Economic Efficiency--Fairness, the measure of the use of resources toward net benefit to society and of causing those who create costs to pay for them.

EVALUATION OF ALTERNATIVE OPTIONS FOR THE HEAVY VEHICLE USE TAX

Option	Equity Vert.	Equity Horiz.	Efficiency	Productivity/ Predictability	Administrative Feasibility	Payment Ease	Compliance and Equity
1	P	G	P	P	G	G	G
2	P	G	P	G	G	G	U
3	F1/	F	F	G	U	U	U
4	F1/	F	F	U	U	U	U
5	G1/	G	G	U	U	P	U
6	G1/	G	F	U	P	U	P
7	G1/	G	G	U	U	G2/	U
8	G1/	G	G	U	U	G2/	U
9	G1/	G	G	U	U	G2/	U

G = Good P = Poor
F = Fair U = Undetermined

1/ The vertical equity of these options is judged fair to good as compared to the STAA

2/ Rated good based on the assumption that vehicle owners maintain mileage and fuel records.

DESCRIPTION OF OPTIONS

Options	Description
1	Use Tax eliminated; reduces revenues by nearly $1 billion, and reduces amount collected from all combination trucks by 30 percent.
2	Diesel Tax - 16 cents; Use Tax eliminated.
3	Diesel Tax - 14 cents, exempt light vehicles under 100,000 pounds. Use Tax - reduce rate 1/2 with a $950 ceiling, exempt vehicles under 55,000 pounds.)
4	Diesel Tax - 14 cents, exempt light vehicles under 10,000 pounds. Use Tax - reduce rate 1/2 with a $950 ceiling, exempt vehicles traveling less than 20,000 miles, weight threshold at 33,000 pounds.
5	Use Tax - prorate based on mileage; raise fee and fee ceiling.
6	Use Tax - eliminated; Diesel Tax - graduated by weight for vehicles over 33,000 pounds.
7	Use Tax - lump sum eliminated; Weight Distance Tax with detailed stratification.
8	Weight-Distance Tax with detailed stratification; Heavy Truck Use, Sales, and Tire Taxes eliminated.
9	Axle Weight-Distance Tax with detailed stratification; Heavy Truck Use Tax eliminated.

Productivity/Predictability--The ability of a given user fee instrument to raise a desired level of revenue and how reliably the fee instrument generates forecast revenues.

Administrative Feasibility--The ease or effort on the governmental entity in collecting the user charges.

Payment Ease--The effort required of the user in maintaining records and paying the charges.

Compliance and Enforcement--An evaluation or measure of the amount of noncompliance that could be expected and ease of enforcement to avoid evasion of paying charges.

Many compromises must be made in developing an acceptable set of user charges. Some problems arise because markets will not respond predictably to a set of user charges; others arise because some user charges are infeasible or difficult to implement.

While some of the six objectives discussed above are compatible, some conflict and act as constraints on one another. Thus, the goal is to achieve equitable user fees that can collect the desired level of revenue in an administratively feasible manner, without undue consideration to the procedures used to collect the fees and the level of enforcement needed to achieve an acceptable level of compliance.

Option 1, which eliminates the use tax, was primarily used to illustrate the importance of the heavy truck use tax as both a revenue source and an instrument to balance equity. It fails the principal goal of providing a balanced revenue source for the Federal Trust Fund.

Options 2, 3, and 4 adjust features of the use tax, all by using different forms of a diesel tax differential. To retain the balance of equity provided in the STAA, while lowering the use tax rate, requires that either an existing tax be increased or a new tax be imposed. Adjustments to both the use tax and the diesel tax can correct some inequities between vehicles in a class since some sensitivity to mileage traveled is taken into effect. The higher diesel tax, with no use tax, appears to cause greater disparities in revenue to cost responsibility ratios among vehicle classes than already exists under the STAA.

Options 5 through 9 all replace the use tax with various alternatives and make varying attempts to present a tax based on both weight and mileage traveled. These weight-distance tax options are characterized by a graduated rate, based on vehicle or axle weight. With reference to the equity and efficiency objectives, options 7, 8 and 9 appear to be better. Option 7 replaces the heavy truck use tax with a stratified weight-distance tax. Option 8 goes one step further, appropriately adjusting the weight-distance rates to account for the elimination of the sales and tire taxes. The axle weight-distance tax, Option 9, has not yet been developed beyond the concept stage.

Many of the options are rated Undetermined when it comes to administrative feasibility, compliance and enforcement--mainly because none of the options, other than Option 2 (the diesel tax increase), has ever been attempted at the national level. To varying degrees there is experience at the state level with some of the other options presented. Careful evaluation of the states' experiences may prove beneficial in evaluating the administrative feasibility and the compliance and enforcement criteria of these options. For example, states with larger deisel tax rates may have information on evasion through use of heating oil in place of automotive fuel. Weight-distance taxes are currently in effect in a few states--in Oregon since 1947. Our experience shows that this type of tax can be efficiently administered at the state level wigh good compliance and reasonable collection costs.

At this time, I believe that to go beyond the general evaluation of the options as presented on the matrix is not warranted. We are presently waiting for final reports on the studies of alternatives to the heavy truck use tax from the Federal Highway Administration, U. S. Department of Transportation; the U. S. Treasury Department; and AASHTO. Specific recommendations will be made after review and analysis of the reports.

Conclusion

In conclusion, I appreciate the opportunity to share with you my thoughts on these important transportation issues. Although not all the research results are yet available, I am confident that through patient, diligent efforts, a system of road user taxation that equitably charges users within practical limits of administrative feasibility, can be achieved.

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SENATE COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
TRANSPORTATION SUBCOMMITTEE
BOISE, IDAHO FIELD HEARING
AUGUST 22, 1983

TESTIMONY OF C. MARVIN MAY
PRESIDENT, MAY TRUCKING COMPANY

Good morning. I am C. Marvin May, President of May Trucking Company, a privately owned irregular route common carrier based in Payette, Idaho. May provides service through-out the continental United States with over 280 power units and 400 trailers, predominately 45 foot refrigerated vans.

In a rush to get home for Christmas during the dying days of the "lame duck" session, Congress passed the Surface Transportation Assistance Act. Many states were not pleased with the Act because it forced them to accept unwanted configurations of trucks in order to remain eligible for federal funds. The trucking industry, struggling under deregulation, was hit with a fuel tax increase of 125% and a highway use tax increase of nearly 700%, yet was supposed to accept this as a reasonable trade to obtain uniform permissible weights, eliminate overall length restrictions, and, in a few east coast states, added ability to run doubles.

PRODUCTIVITY

The displeased states have adopted rules and procedures designed to make it cumbersome for truckers to take advantage of promised productivity gains. In Missouri, for example, a state which formerly did not permit the 80,000 pound weight limit mandated by the Act, the driver is forced to obtain a special weight permit, obtainable at the port of entry. Unfortunately, if a driver rolls across the scale and into the parking area, he subject to an overweight citation - even if attempting to purchase a permit at that port of entry - because he did not stop to obtain the permit prior to crossing the scale to the truck parking area beyond.

Illinois now permits 80,000 pounds, but increased its registration fees 20% across the board, added an additional fee for the higher weight that will increase our Illinois fees by 460%, and increased the diesel tax from 7 1/2 cents to 13 1/2

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Senate Committee on Environment and Public Works
Transportation Subcommittee
Boise, Idaho Field Hearing
August 22, 1983

cents per gallon. Even with the additional fees, Illinois requires a letter issued by the base-plate state evidencing 80,000 pound registration. These are two examples of states displeased by the Act making the Act expensive and cumbersome for motor carriers.

Many states have looked to the federal government as the "expert" to concentrate tax increases on the trucking industry. For example, Pennsylvania has increased its annual permit fees from $25.00 to $185.00 - 640%. This is only a portion of its licensing requirement. Other states find it necessary to increase their taxes to obtain the state matching money for the federal funds provided by the related federal fuel tax. At the Lewiston hearing, Washington's Duane Berentson testified that Washington would require at least two to four cents per gallon additional tax to provide the necessary match. Since that time, most states, including Washington, Oregon, and Idaho, have enacted gas tax increases. Washington, at 26 cents per gallon, state and federal, is the highest tax in the nation. Prior to 1983, it was 16 cents a gallon.

While the 102 inch wide, 48 foot long trailer was touted as a great productivity booster, for most carriers this is not the case. Although May Trucking Company is presently ordering 102 inch trailers because the greater width provides a more stable trailer and promotes safety, it has a minimal effect on productivity. A 48 foot trailer must still meet the "inside bridge" rule, resulting in an extreme rear over-hang. The ability to use the extra length is limited by concentration of weight on the trailer axles. The over-hang also carries adverse safety implications. For these reasons, we have chosen not to order 48 foot trailers.

The weight limit increases have had an impact only through the former "barrier states." The increased taxes, however, are borne by the carrier and apply nationwide - their impact is not restricted to the barrier states. 100% of our traffic pays the increased tax, but less than 15% crosses the barrier states with possible benefits from uniform weights. However,on these routes the extremely competitive nature of the industry fostered by deregulation has enabled shippers to force rate cuts passing through the economic benefit of increased loading.

The trucking industry has received negligible productivity gains from the Act, yet has paid dearly through cumbersome new rules, and both state and federal tax increases.

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IMPROVEMENTS TO HIGHWAYS

At the Lewiston hearing, Tim Wilson, Corporate Counsel of May Trucking Company testified that federal funding practices encourage in state and local government to neglect routine maintenance in favor of new projects to obtain federal dollars. May Trucking Company does not object to these projects themselves but is concerned that their funding attractiveness is hindering the urgent maintenance needs that have prompted both federal and state tax increases. We are also concerned that many of the projects being funded do not demonstrate the relationships to heavy truck use which prompted the extra emphasis on increasing truck taxes.

Some examples are in order. On I-5 near Portland, Oregon, funding for the Terwilliger Boulevard interchange replacement has been sped up by the newly available federal funding. The existing structure, a wood trestle, feeds into an obsolete traffic circle, and has inadequate left turn lanes. It is, however, clear that this project's cost of over $5 million is not related to truck use of the type cited to justify the STAA tax increases as trucks are prohibited.

On I-84 in Caldwell, we are all aware of the interchange being constructed as a series of bridges over the Boise River. The major cost of this facility results from the bridging required by its location. Its primary use will be by auto traffic to Boise; and will be used to further the development of Caldwell. While it is a valuable project, its cost is not remotely created by, or its construction justified by, truck use.

Frequently the primary justification for a new capital project is to develop surrounding land. The dispute over the location of a new Boise regional shopping center is an excellent case in point. Developers in Meridian are willing to build an interchange at private expense. The developers are willing to fund such a project because they believe they will earn a profit on development of nearby land.

It is important, as we review the Act's impact, that we remember that the justification for emphasizing truck tax increases was to catch up on maintenance. The trucking industry cannot afford - on its thin profit margins - to subsidize urban commuter freeways or local development that should pay its own way.

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STRUCTURE

The structure of the taxes we pay is extremely detrimental to the efficient functioning of the industry in two respects. The federal highway use tax is difficult to collect, and encourages evasion.

May Trucking Company pays it's taxes. Our automated tax accounting system is conveniently accessed by auditors, so there is not a substantial collection difficulty. However, there can be collection difficulty from smaller firms not having the records necessary for an effective audit. Futhermore, auditors can't cover nearly as much ground with a four or five truck operator as they can with a three-hundred truck operator. A larger carrier is a more attractive target for the productivity oriented auditor. It is, therefore, a concern that any tax imposed be efficiently collectible so that it does not place easily audited segments of the industry at a competitive disadvantage.

Many assume that the federal highway use taxes are levied all carriers equally and therefore can be passed on to the shipper without economic impact to the carrier. This has two limitations. First, motor carriers must compete with railroads, water transportation, and air not subject to these taxes. When revenue falls short of projections due to evasion or diversion to the railroads, politicians will demand another "fair share" increase. That will only continue this vicious circle. Second, competitive pressures force carriers to cut costs where ever possible. The carrier that decides the audit risk is small and "postpones" the tax puts pressure on other carriers to either go out of business or "postpone," as well. This could turn honest businessmen into tax evaders.

Lack of state-to-state uniformity makes compliance by the carrier difficult and expensive. As an example, I have attached a computer print-out showing licensing records on a truck licensed nationwide This truck is annually licensed for 46 states, requiring 134 different items evidencing proper licensing. Some states have as many as seven different stickers, cards, and permits. In addition, we make quarterly payments to eleven states for mileage tax, thirty-eight states for fuel tax, and eight states using various other methods. Eleven states use more than one method.

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LEGISLATIVE ALTERNATIVES TO STAA

There are altrernatives to STAA. I recommend HR 2142 and S 1475, These bills change the method of payment from the highway use tax to a diesel differential fuel tax collected at the pump. This has several advantages. It is efficiently collectible, as the fuel system already has tax accounting and collecting provisions for the numerous state taxes, reduce the evasion problem, and avoid the cash flow difficulties created.

These advantages are obtained preserving the revenue projected for the STAA. It exempts vehicles under 10,000 pounds - structuring the diesel differential as a commercial user fee. The increased diesel tax will be imposed only when the vehicle is using our nation's highways to haul freight and produce income. This is consistent with federal tax policy. The user "pays as he goes." There is no equity problem similar to that associated with setting an all or nothing threshold for application of the current use tax.

One further comment - presently the motor carrier industry is suffering economic hard times yet the state and federal politicians have bombarded the industry with hugh increases in licensing, use fee, and fuel taxes. These increased taxes are making it difficult to compete with other modes of surface transportation. The higher taxes must be passed on to the shipper. There is a point where they will be forced to ship by rail. The railroads are playing an active part in this issue, as indicated by the attached article.As fewer trucks use the highways, less taxrevenue will be collected and shortfalls will be evident. Thank you.

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SPECIAL REPORT:

RAILROAD WAR ON TRUCKS

Rail-financed fronts push for higher state truck taxes

By Bryce Patterson
Business Features Editor

THE TRUCKING industry is in a much more serious war than anybody thought was possible.

The national headlines in recent months have dealt with industry problems stemming from deregulation, recession and the new truck taxes that came with the federal highway bill passed this winter.

But it now comes to light that the trucking industry is in a battle for survival at state levels where it faces a growing number of citizen groups that call for even higher truck taxes and more restrictive trucking laws.

And it turns out, after an intensive *Heavy Duty Trucking* investigation, that the so-called independent state organizations are, in virtually every case, financed by the railroads.

These groups are pressuring tax-starved state legislators to increase taxes on trucks. They promise legislators more taxpayers' money without the political backlash of new or higher direct taxes on voters.

These citizen groups use cover names such as Californians for Fair Highway Taxation, Motorists of Ohio for Vehicular Equity, South Carolinians for Better Highways, the North Carolina Road Savers Council, Share Highways and Roads Equally and People Associated for Tomorrow's Highways.

In some cases, state umbrella groups include members with environmental, streets and roads or business interests. But in every case *HDT* investigated, the bulk of the cash for increased truck tax campaigns came from railroads. In some states, area railroads appeared to be the only active members of these cover groups.

Lee Lane, executive director of the Assn of American Railroads' Intermodal Studies Policy Group—a trucking industry official termed him a "hired gun"— told *HDT* that the organizations are sometimes formed in states because of the local political climate. In some places a public relations educational campaign is needed. Other groups in the state must be convinced that increased truck taxes are desirable, he said.

"We have to sell it to groups one by one," he said. "The umbrella group is a good vehicle for this."

Truckers familiar with the railroad campaign say that railroads want to boost truck rates to the point that the rails are more competitive with interstate trucking. Others contend that if truck fleets are forced to boost rates to pay new taxes, railroads can increase their own rates and profits, since railroad rate increases can also then go into the bank instead of to the tax collector.

The railroaders contend that trucking is subsidized because highways are built with taxpayers' money. They charge that even with the recent federal truck tax increases, trucks will be paying only 70% of their "fair share" of the damage they do to roads, according to the federal Department of Transportation.

Railroaders acknowledge that they would like to be more competitive with trucking but, they contend, if trucks had to pay their "fair share" of highway damage, the rails would automatically be competitive. All the railroads really want is "equity," and everyone should want that, they argue.

Lane is well known to trucking officials and legislators in states where truck ton-mile taxes have been considered. He is the AAR technical expert on the taxes. He has been involved in virtually every state campaign, testifying on how the tax can be administered and how much money it will raise in a specific state.

He acknowledged that the railroads have put up much of the money to start cover groups and their truck tax campaigns. He contended, however, that the contributions are "seed money" to get a movement started. He said the goal is to get other organizations to join the railroads in the umbrella groups.

Lane denied that the groups are formed to hide heavy railroad involvement, that the truck tax issue is little more than a battle between railroads and the trucking industry. Terming such charges "not a fair reading at all," he said railroads are always very open about their involvement in such groups.

"I would hope the average citizen makes his decision on the merits of the case," he responded when questioned about whether the average citizen would take the time to learn who was paying the bills for such an umbrella organization.

Despite the value of cover groups in some states, railroad lobbyists in other states say they fear such organizations, because they believe their cause would be damaged if the public learned that an apparent public interest group is dominated by the railroads.

Certainly the AAR's publication of a map showing "potential target states" for 1983 indicates strong railroad interest in getting truck taxes increased. The map also shows states that already have a ton-mile tax and whether the AAR considers the current rates in those states to be low or high.

Although there is no mark on the map that the AAR is responsible for it, Lane acknowledged that his organization published it.

Targets, according to the map, for action this year were: Ohio, Arkansas, California, Florida, Illinois, Mississippi, Missouri, North Carolina and South Carolina. So far this year, these are the results of railroad efforts in the target states:

CALIFORNIA—A proposed ton-mile tax is receiving backing of a cover group called Californians for Fair Highway Taxes (CFHT). The organization contends that a ton-mile tax will raise $200 million a year from truckers operating in California.

The proposal, admittedly initiated by railroad interests, would impose truck taxes ranging from two cents a mile for some loaded trucks up to 10 cents a mile for trucks in the heaviest weight categories.

CFHT spokeswoman Nichole Baker said the railroad cover group includes the Friends of the Earth, the Orange County Transportation Commission, the National Taxpayers Union, the Southern California Transportation Action Committee, The City of Stanton, the California League of Cities Transportation Committee and the Southern California Assn of Governments Transportation Committee. She acknowledged, however, that she is employed by Cerrell Associates, a Los Angeles political public relations firm hired by CFHT to campaign for the ton-mile tax.

Baker also acknowledged that the California Railroad Assn (CRA) is the "main fund raiser" for the cover group. In fact, she said, virtually all of the money for the ton-mile tax effort has come from CRA so far. She said some of the other organizations in the cover group may make a free mailing for CFHT periodically or some other effort such as that, but that is the extent of their efforts so far. She termed AAR her "technical support group."

Baker acknowledged that CFHT has no office other than that of her firm. She denied reports the CRA paid Cerrell Associates $1.5 million for the ton-mile tax campaign.

A spokeswoman for California Assemblywoman Gwen Moore (D-Culver City)—who introduced the bill this year and last—told *HDT* that Caltrans, the California Board of Equalization and the Automobile Assn of Southern California are also supporting the proposal.

As currently written the Moore bill would impose taxes as indicated below:

Weight Range	Cents Per Mile
50,001-55,000	2
55,001-59,000	2.5
59,001-62,000	3
62,001-65,000	3.5
65,001-68,000	4
68,001-70,000	4.5
70,001-72,000	5
72,001-74,000	5.5
74,001-76,000	6
76,001-78,000	8
78,001-80,000	10
over 80,000	Additional 1¢/1,000 pounds

Under such a law, a truck running 100,000 loaded miles a year with an.

Truck vs. Rail Federal Tax Burden

(Dollar Amounts in Thousands)

Industry	US Income Before Tax	Federal Income Tax Paid	Federal Income Tax Rate
Railroads	$1,723,273	-$129,434	-7.5%
Trucking	796,654	367,550	46.1%

Railroads paid no federal income tax in 1981, according to data published by the Joint Congressional Committee on Taxation. The negative tax rate of -7.5% compares to trucking's rate of 46.1%.

average weight of 55,000 would have to pay the 80,000 pound rate for the entire year if it had just one load weighing 80,000 pounds. That would amount to $10,000 per unit.

California Assemblyman Bruce Young, in a mid-April speech to the Western Highway Institute's annual convention, said he was "Amazed at the resources the railroads have invested" in the ton-mile tax campaign. "They've hired the best Republican lobbyist and the best Democratic lobbyist in the capitol," he said, adding that in all, there are six railroad lobbyists campaigning for the measure. In addition, he said the rails have a group of economists who have "descended on the capitol" with anti-truck materials.

California truckers fight back. See page 30

"I'm very surprised at Bruce Young for saying all of this," said CFHT's Baker, "because he knows that none of this is true." She said her public relations firm employs a registered lobbyist, Tim Egan, but he has been restricted to recruiting groups to support the CHFT cause.

Baker and Robert Taggart, Southern Pacific Railroad vice president-/governmental relations, said only one railroad lobbyist, Herb Nobriga, is involved in the campaign. Nobriga is general counsel of the California Railroad Assn.

"We don't get paid to be lobbyists," Baker said. "Lobbyists get paid a lot of money—$30,000 or $40,000 for three months work."

She said her agency's chief function is "getting the media alerted" to the tax proposal and "doing some editorial board presentations" to the public news media throughout California. (A check of newspaper editors by *HDT* indicates that the agency has pitched them, but has not volunteered to tell the editors that it is railroad-funded).

Both Taggart and Nobriga denied that the railroad budget for the California campaign is $1.5 million. "CTA is putting out false information," said Taggart.

Jerry Zanelli, owner of Governmental Advocates Inc, the Sacramento-based lobbying firm fighting the tax proposal for CTA, said the cover group is a "smoke screen" for the railroads. Establishing such a group is dangerous, Zanelli said. Once it becomes public that the railroads are behind it, other groups may feel that they have been "used" by the railroads.

OHIO—Motorists of Ohio for Vehicular Equity (MOVE) is backing a bill that would increase state truck taxes up to 400%. The bill, introduced by Rep Ike Thompson (D-Cleveland), chairman of the Ohio House Transportation and Urban Affairs Committee, is supposed to provide up to $180 million to repair the state's bridges.

According to MOVE "Coordinator" Tom Cashman, the organization is financed by Chessie System and the Norfolk-Southern Railroad. Cashman said the Ohio Environmental Council has voiced support for MOVE but the environmentalists have decided to let MOVE "carry the ball for them" on this issue.

The proposed tax would multiply a percentage of Ohio's 12-cent-a-gallon fuel tax times the number of miles a truck travels in a year. The current state axle-mile tax would then be subtracted from that and the result would be the new tax for bridges. It would work this way for a 70,000-miles-per-year truck:

- Straight trucks, three or more axles: 20% x 12¢ x miles; user tax is $1,330.
- Three-axle tractor-trailer or three-axle truck-trailer: 40% x 12¢ x miles; user tax is $2,660.
- Four-axle tractor-trailer: 60% x 12¢ x miles; user tax is $3,990.
- Any five-axle tractor-trailer: 80% x 12¢ x miles; user tax is $5,320.
- Truck-trailer, four or more axles, commercial car tandem, six-axle tractor-trailer or doubles: 100% x 12¢ x miles; user tax is $6,650.

The bill would also increase the miles a truck can be taken for weighing from three miles to 10 miles. It doubles the penalties for overloads and imposes a $500 fine for false bills of lading or weigh slips. If a driver is cited for being overloaded, it is an "affirmative defense" for him to claim that the fleet or shipper forced him to drive overloaded.

In addition to repairing bridges, the bill would give the Ohio Safety department $800,000 to buy and staff nine additional portable scales.

Cashman said MOVE is backing the bill, but with "reservations." He said the organization is still backing a ton-mile tax. He speculated that the Thompson bill may be a vehicle that could be amended to install the ton-mile tax.

Cashman acknowledged that he is all there is to MOVE when it comes to daily operations. He said the organization is useful for consolidating the support of other groups under a single umbrella.

Representative Thompson said he does not know or worry about why the Ohio railroads operate through MOVE.

SOUTH CAROLINA—Ernie Nunnery, a former legislator and registered lobbyist, is president of South Carolina Citizens for Better Highways (SCCBH). The organization is backing a proposed ton-mile tax that could boost tractor-trailer taxes by $4,550 a year.

The proposed South Carolina tax would be assessed as follows:

Truck Weight	Cents Per Mile
60,000-65,000	3.0
65,001-70,000	4.0
70,001-75,000	6.0
75,001-80,000	6.5

The proposal exempts haulers of timber and timber products, agricultural products, sand and gravel, and carriers who travel less than 2,500 miles per quarter. It also exempts empty mileage.

South Carolina has developed a tradition of cover groups promoting the ton-mile tax. Twice in the last three years, according to the South Carolina Motor Transportation Assn, the so-called South Carolinians for Highway Safety pushed for it. Now, SCCBH has taken up the cause.

Nunnery insisted that his members are individuals rather than organizations. He denied that any railroad is a member of his group. He said some of his members are opposed to the federal imposition of double trailers and some believe trucks should pay for the damage they do to the roads.

The public relations man/lobbyist acknowledged, however, that a "significant portion" of the money in his organization comes from railroads and railroad organizations. He said he is seeking money from other individuals and organizations and some other members are also contributing to the SCCBH effort. He would not say who his other members are or who is contributing.

Nunnery said the existence of an umbrella—cover—group is important because it broadens the base of support for the ton-mile tax. He noted that the automobile association testified against doubles when they were being considered on the state level. He acknowledged, however, that the state automobile association and organized environmental groups have not joined his call for higher truck taxes.

Sam Boylston, manager of the state's trucking association, said Nunnery is having difficulty getting support because the antitruck groups always make emotional appeals to older people and the garden clubs. He said those groups have gotten wise to the false front organization efforts.

"They see that it's a railroad-truck fight," he said.

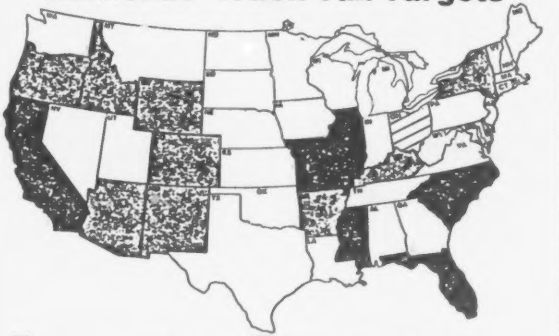
ARKANSAS—Without any sort of front organization, Arkansas railroads and the Arkansas Highway Commission joined forces to get a ton-mile tax passed. The Cotton Belt and Missouri Pacific Railroads as well as the Assn of Arkansas Railroads were active in the battle.

The law retains the $1,044 registration fee for 73,280-pound trucks. It adds a ton-mile fee of either $175 a year or five cents a mile for trucks weighing 73,281 to 80,000 pounds. Arkansas-based truckers can choose to pay either the $175 or the five cents a mile at the time they license their vehicle.

Raw agricultural product and unprocessed natural resource haulers are exempt.

Although railroad lobbysts would not explain why they did not need a front organization to conduct their operations, a source close to the railroad effort said the existence of such a group could have been "counterproductive." He said "it would not have fooled anyone" and legislators would have asked some hard questions if they had suddenly appeared representing what was supposed to be a citizens group.

Railroads' Truck Tax Targets



▨ States with ton-mile taxes ■ States still targeted by RRs

▧ Ohio has an axle-mile tax. railroads are seeking to add a bridge tax.

States With Ton-Mile Taxes and Rates

Arizona

Starts at 1.3¢/mile for 26,000-lb truck. Increases in 2,000-lb increments to 8¢/mile for 80,000-lb truck.

Arkansas

Effective July 1, 5¢/mile or flat $175 annual fee imposed on vehicles licensed at more than 73,280 lbs. Out-of-state carriers not licensed or apportioned pay 8¢/mile on trip basis.

Colorado

Flat rate. Empty = .08¢/ton-mile. Loaded = .2¢/ton-mile.

Oregon

All commercial vehicles. Under 6,000 lbs = .07¢/mile. Increases 1 mil per 2,000-lb increments to 7.55¢/mile for 80,000 lbs.

Kentucky

2.85¢/mile for all weights 60,000 lbs and over.

New Mexico

.797¢/mile for 26,001 lbs, graduated in 1-ton increments to 2.8¢/mile for 72,001 lbs and over.

New York

18,001 lbs = .6¢/mile, graduated to 3.5¢/mile for 76,000 lbs. Add .2¢ per ton over 76,000 lbs. Empty miles taxed on unladen weight.

Wyoming

.15¢/ton-mile on unladen weight for gasoline vehicles, +.11¢/ton-mile for non-gasoline vehicles.

Ohio

Axle-mile tax graduated from .5¢/mile for 3-axle truck to 2.5¢/mile for 6-axle rigs or doubles.

Idaho

Effective July 1, the tax is 3.005¢/mile for a 60,000-lb truck, graduated in 1-ton increments to 4.5¢/mile for 80,000-lb trucks.

MISSISSIPPI—This was another state in which railroads were out in the open favoring a ton-mile tax on trucks. The proposal, which failed, would have started with a 2.5-cent-a-mile tax on trucks starting at 50,000 pounds. It was graduated to 9 cents a mile for 80,000-pound trucks.

Dean Cotten, general manager of the Mississippi Bus & Truck Assn, told *HDT* the bill would have imposed taxes ranging from $2,000 to more than $1 million on Mississippi carriers. He said many of his members reported their taxes under the bill would have exceeded $500,000 a year.

Cotten said railroad interests in his state had been laying the groundwork for the bill for more than a year. But when it came up for a committee hearing, approximately 200 truckers, the Mississippi Farm Bureau Federation, the forest products association and at least one businessman's group were present to testify against it. Cotten credited the American Trucking Assns with providing much of the information needed to battle the bill.

The bill never got out of committee.

John Lambert, director of the Mississippi Railroad Assn, told *HDT* that his organization did not make an all-out effort on the ton-mile tax this year. He said he did not know what the local railroads would do about the issue in the future.

Cotten said he believes the railroads will be back next year. They may be operating from behind a front organization then, he speculated.

WEST VIRGINIA—Despite the efforts of a front organization called Share Highways and Roads Equally (SHARE), the West Virginia legislature defeated a railroad-backed ton-mile tax this year. SHARE's primary backers are Chessie System and the Norfolk-Southern railroads.

The proposal would have imposed a graduated ton-mile tax ranging from 6.25 cents a mile on trucks in the 50,000-pound to 55,000-pound category, to 8.5 cents a mile on trucks weighing more than 70,000 pounds. Tax credits that would have eliminated the new tax were granted to trucks hauling coal, logs, timber, asphalt, sand, gravel, rock, dirt and agricultural products.

West Virginia Motor Truck Assn (WVMTA) officials said the tax would have added $5,500 a year to the tax bill of the average West Virginia truck operating in intrastate commerce. In more than 150 fleets, the tax would have exceeded their profit margins.

Robert Rine, SHARE executive director, acknowledged that the railroads are the "main force" behind his organization. He contended, however, that the American Automobile Assn, the Charleston Merchants Assn, the railroad unions and American Car and Foundry (a manufacturer of railroad equipment) are also supporting SHARE.

Rine said all the railroads want are competitive rates, costs and "fair competition."

This is the second time that a ton-mile tax has been introduced in West Virginia in two years. It was killed this year, according to the WVMTA, when lawmakers learned that virtually all its backing came from the railroads.

NORTH CAROLINA—Although there is no ton-mile tax proposal currently in the legislature, a group called the North Carolina Road Savers Council (NCRSC) has been formed. The organization has started a public relations education program attempting to sell a ton-mile tax.

NCRSC claims that the state needs $63 million to match federal highway funds it is due to get under the 1982 Surface Transportation Assistance Act. It argues that $80 million a year could be raised through a ton-mile tax, with more than half of it coming from interstate trucks not based in North Carolina.

Roy Wilder, a former journalist, public relations man and current NCRSC executive director, said he expects the state government to take a look at the tax in the future.

Who's the Underdog?

One of the toughest side issues related to the ton-mile tax conflicts going on in many states is the truck-railroad argument over which of them is the underdog.

The American Trucking Assns and several state associations contend that the Assn of American Railroads (AAR) has a multi-million dollar "war chest" for its attacks on the trucking industry. They argue that the railroad industry has the advantage of being very rich and having few members. That makes it possible for them to easily reach an agreement and then put a lot of money behind it.

The trucking industry has long complained that some congressmen and state legislators suffer from the "Casey Jones syndrome"—a romantic love of railroads—that makes it tough on the trucking industry.

Lee Lane, executive director of the AAR's Intermodal Policies Study Group, on the other hand, contends that the railroads are the real underdogs in the battle over ton-mile taxes.

Lane says that the trucking industry has plenty of money to campaign against the taxes and it has the advantage of having truck fleets in many of the towns and cities in every state. That gives the trucking industry a lot of political clout on the state level, Lane contends.

Although the trucking industry was started on the road to deregulation by the 1980 Motor Carrier Act, he said, the bills that finally passed Congress were far more watered down than the deregulation bills that had been proposed. He said the 1982 Surface Transportation Assistance Act, which made major changes in federal truck taxes, was so watered down by the trucking industry lobby that trucks still pay only 70% of their "fair share" of highway wear and damage.

Neither group can explain why they want to be viewed as the underdog. It appears to be related to campaigns by each that paint the other side of the issue as "big business" attempting to take unfair advantage of defenseless opponents.

/HEAVY DUTY TRUCKING

Wilder acknowledged that his "seed money" comes from the railroads. But, he said, the organization is a citizens' group composed of people from the tourist industry, county government and other areas. He refused to reveal any of his membership.

FLORIDA—The ton-mile tax concept was proposed by the state's railroads. It did not reach the point of a specific breakdown of the costs.

Bud Williamson of the Florida Railroad Assn said there was no need for a cover organization in Florida because "We felt like no matter how you camouflage it, they will know who we are."

Williamson said his organization may propose the ton-mile tax again in the next couple of years. There won't be a front organization then either, he said.

Group Aims at State Powers

Taking a page from the railroads' book, a group of Arkansas businessmen has formed the Forward Arkansas Committee (FAC) to battle for them. Composed of shippers, the Teamster union and state truckers, the committee led the successful battle for revised truck sizes and weights in Arkansas. It also was involved in the losing effort to defeat a ton-mile tax proposal in that state.

But that is only the beginning. According to FAC Manager Bob Wimberley, the 1,000-member committee will take part in a national Forward America organization being designed to block government actions to hamper increases in productivity.

Among the group's targets will be state power to impose third structure taxes on transportation. It will also seek a more equitable assessment of federal taxes on transportation.

Wimberley contended that federal tax structures currently favor the railroad industry. He said efforts will be made to eliminate that favoritism once the group gets organized.

He said the Forward America group will work with groups already established in some states and will work with the American Trucking Assns.

Williamson said the proposal came up because of the increased truck sizes and weights in the federal Surface Transportation Assistance Act. If trucks are going to be subsidized by government roadbuilding, he said, it should be made public.

MISSOURI—The formerly effective railroad-related People Associated for Tomorrow's Highways (PATH) may be suffering a decline on the heels of a ton-mile tax defeat in Missouri. The organization has no phone in the state that *HDT* could locate. Officials of the Missouri Bus and Truck Assn (MBTA) said they have heard nothing of the group in recent months.

PATH was instrumental in blocking a 1981 state bid to increase truck sizes and weights to the then-existing federal standards. After the law passed the legislature, PATH mounted a petition drive for a referendum on the bill. In the subsequent election PATH mounted a campaign that defeated the law.

The organization appeared earlier this year when the Missouri Legislature was considering a ton-mile tax. PATH representatives testified on the bill, but would not say who was backing the organization.

The bill, which never got out of committee, would have imposed taxes on gasoline powered trucks of 9/10ths of a cent per mile beginning at 18,000 pounds and ranging up to 4 cents a mile for 80,000-pound trucks plus 1/20th of one cent for every ton or ton fraction over 78,000 pounds. For diesel trucks the 18,000-pound ton-mile tax would have been 1.95 cents per mile. It would have increased to 6.4 cents a mile for 80,000-pound trucks plus 1/10th of one cent for every ton or ton fraction over 78,000 pounds.

The bill would have required private fleet trucks operating in the state to register annually for a $25 fee.

MBTA officials said the tax proposal would have added an average of $4,700 in taxes to an 80,000-pound truck operating 100,000 miles a year in Missouri.

An effort was also made to attach the ton-mile tax to a truck size and weight bill in the state legislature. It, too, failed.

There have been reports that the Assn of American Railroads has also targeted Illinois for ton-mile tax action this year. But trucking officials in the state said they have heard nothing of such a proposal yet. They have also not heard of a front organization being formed. ■

MAY TRUCKING CO.

POST OFFICE BOX 400 ■ PAYETTE, IDAHO 83661

SEP 7 5 28 PM '83

August 29, 1983

The Honorable Steve Symms
United States Senate
509 Hart Senate Office Bldg.
Washington, D.C. 20510

Dear Steve:

Thank you for the opportunity to appear before the Transportation Sub-committee of the Senate Committee on Environment & Public Works last August 22nd in Boise.

I was impressed at the divergent range of interests that agreed a shift to a diesel differential fuel tax would be preferable to prospective increases in the highway use tax. The lower mileage users, such as the gentlemen who calculated the highway use tax in his situation to be equivalent to $.95 per gallon additional fuel tax, preferred the fuel tax as it would reduce their tax payments in line with their low use. Larger carriers, such as May Trucking company, would not likely obtain any tax savings from the shift but would benefit from more effective collection against competitive motor carriers.

We all agree that a healthy surface transportation system is important to the continued economic health and development of this nation. If, in the process of assuring a satisfactory infrastructure, inequitable and severe taxation cripples the motor carrier and other industries which use the highway system to move commerce through, then that highway system will not provide us the benefits of freely flowing commerce. HR 2124 and S 1475 are important in meeting our twin objectives of a healthy transportation infrastructure and a healthy transportation industry. I encourage your support of those measures.

Sincerely,
MAY TRUCKING COMPANY

C. Marvin May
President

CMM/nlf

PH (208) 642-3381 ■ BOISE PH (208) 888-1459 ■ WATS 800-635-9015 ■ ID WATS 800-632-3391

STATEMENT OF

OTIS E. WINN

EXECUTIVE VICE PRESIDENT

UTAH MOTOR TRANSPORT ASSOCIATION

BEFORE THE SUBCOMMITTEE

ON TRANSPORTATION

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS

UNITED STATES SENATE

ON THE SURFACE TRANSPORTATION ASSISTANCE ACT
OF 1982

AUGUST 22, 1983

BOISE, IDAHO

STATEMENT OF MR. OTIS E WINN, EXECUTIVE VICE PRESIDENT, UTAH MOTOR TRANSPORT ASSOCIATION.

BEFORE THE UNITED STATES SENATE, COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS, SUB-COMMITTEE ON TRANSPORTATION.

HONORABLE STEVEN D. SYMMS, CHAIRMAN, BOISE, IDAHO, AUGUST 22, 1983.

"SENATOR SYMMS, LADIES AND GENTLEMEN: I AM OTIS E WINN, EXECUTIVE VICE PRESIDENT OF THE UTAH MOTOR TRANSPORT ASSOCIATION. THE UTAH MOTOR TRANSPORT ASSOCIATION REPRESENTS THE TRUCKING INDUSTRY IN UTAH. WE APPRECIATE THIS OPPORTUNITY TO APPEAR BEFORE YOUR SUB-COMMITTEE.

WE ARE NOT ONLY A USER OF THE NATIONS' HIGHWAY SYSTEM, BUT WE HAVE BEEN A STRONG SUPPORTER OF AN ADEQUATELY FINANCED FEDERAL HIGHWAY PROGRAM FOR MANY YEARS. WE HAVE ALWAYS INDICATED A WILLINGNESS TO PAY OUR FAIR SHARE OF THE COSTS OF THE HIGHWAY PROGRAM AS DETERMINED BY A PROPER HIGHWAY COST ALLOCATION STUDY CONDUCTED ON THE BASIS OF "COSTS OCCASIONED" IN THE CONSTRUCTION AND MAINTENANCE OF THE FEDERAL AID HIGHWAY SYSTEM.

IN PREVIOUS TESTIMONIES, THE INDUSTRY HAS NOTED THAT THE TRADITIONAL INCREMENTAL COST APPROACH WHICH HAS BEEN DEVELOPED AND REFINED OVER THE PAST THIRTY YEARS REMAINS THE ONLY CONSISTENT, WELL DEFINED "COSTS OCCASIONED" METHODOLOGY THAT CAN BE FAIRLY AND REASONABLY APPLIED. UNDER THIS CONCEPT, VEHICLES WITH SIZE AND WEIGHT AND OPERATING CHARACTERISTICS EXCEEDING THOSE COMMON TO THE ENTIRE MOTOR VEHICLE POPULATION FOR WHICH THE HIGHWAYS ARE BASICALLY CONSTRUCTED AND MAINTAINED, SHOULD FULLY PAY THE COST OF EXTRA FEATURES INCORPORATED IN THE HIGHWAY PLANT BECAUSE OF THEIR USE OF IT, AS WELL AS A FAIR SHARE OF THE COSTS OF THE BASIC PLANT. (1)

EACH CLASS OF HIGHWAY USER THEN BEARS A TAX BURDEN IN PROPORTION TO ITS' HIGHWAY CONSTRUCTION NEEDS. THUS FOR THE EXTRA INCREMENTS OF PAVEMENT NEEDED TO SUSTAIN THE HEAVIER TRUCKS, THOSE TRUCKS WERE ASKED TO PAY 100 PER CENT OF THE COSTS AND THE INDUSTRY WILLINGLY DID SO. THEY ALSO PAID THEIR FAIR SHARE OF THE LOWER INCREMENTS.

IN EFFECT, TRUCKS PAID "IN ADVANCE" - IN THE CONSTRUCTION - FOR THE EXTRA DEMAND THEY WOULD IN THE FUTURE PLACE ON THE HIGHWAY SYSTEM.

THE INCREMENTAL METHOD, WHICH ENJOYED VIRTUALLY TOTAL ACCEPTANCE BY THE HIGHWAY ENGINEERING COMMUNITY FOR ALMOST HALF A CENTURY, WAS BASED ON SOUND ENGINEERING AND ECONOMIC PRINCIPLES AND ENJOYED THE SUPPORT OF THE MOTOR CARRIER INDUSTRY. WE WERE SUPPORTIVE OF THIS PROGRAM BECAUSE WE HAD PARTICIPATED IN ITS DEVELOPMENT AND WERE IN GENERAL AGREEMENT WITH THE FACTS AND ASSUMPTIONS ON WHICH THE CONCLUSIONS WERE BASED.

TO THROW THIS RESPECTED AND PROVEN METHOD IN THE TRASH CAN FOR A TOTALLY DIFFERENT AND UNPROVEN CONCEPT WITHOUT SHOWING REASONABLE CAUSE FOR SUCH A DRASTIC CHANGE BORDERS ON INTELLECTURAL DECEIT AND EMPHASIZES ONCE AGAIN THE LACK OF UNDERSTANDING OF MOTOR CARRIER OPERATIONS BY THE DEPARTMENT OF TRANSPORTATION.

WE CONTEND THERE IS NO TRULY SUPPORTIVE DATA FROM THE FEDERAL HIGHWAY COST ALLOCATION STUDY THAT WOULD JUSTIFY THE HEAVY FEES WHICH ARE PROPOSED TO BE LEVIED AGAINST THE MOTOR CARRIER INDUSTY. THEY WILL BE DISATROUS IN THE PRESENT ECONOMIC AND REGULATORY ENVIRONMENT.

THERE CAN BE NO QUESTION BUT WHAT THE HIGHWAYS ARE REFLECTING THE EFFECTS OF AGE, WEATHER AND WEAR. THEY ARE OUR WORK PLACE AND WE ARE FAMILIAR WITH EVERY MILE OF THEM.

TESTIFYING BEFORE THE HOUSE SUBCOMMITTEE ON APPROPRIATIONS IN MARCH 1980, JOHN S. HASSELL, JR., DEPUTY FEDERAL HIGHWAY ADMINISTRATOR, SAID: "MANY SECTIONS OF THE SYSTEM ARE REACHING THE 20 YEAR DESIGN LIFE. THEY ARE WEARING OUT PRETTY MUCH AS SCHEDULED." "AT THIS POINT, WE ARE NOT FINDING IN THE AGGREGATE THERE IS ANYTHING MORE THAN THE NORMAL WEAR AND TEAR AND EXPECTED DETERIORATION." (2) THIS WOULD SEEM TO SUPPORT THE VALIDITY OF OUR TIME PROVEN FUNDING METHODS.

IN TESTIMONY BEFORE THE SAME COMMITTEE A YEAR LATER, FHWA EXECUTIVE DIRECTOR LESTER P LAMM SAID: "WHAT IS HAPPENING IS THE HIGHWAY SYSTEM IS LIKE AN AUTOMOBILE. YOU GAN MAINTAIN A 1960 AUTOMOBILE FOR A CERTAIN LENGTH OF TIME, BUT EVENTUALLY YOU HAVE TO REPLACE IT. THE SAME APPLIES TO A HIGHWAY - BOTH PHYSICALLY AND ECONOMICALLY. EVENTUALLY ROUTINE MAINTENANCE DOESN'T WORK ANY MORE AND YOU HAVE TO PUT A LOT OF MONEY INTO REPLACEMENT OF THE FACILITY." (3)

THE CONGRESSIONAL BUDGET OFFICE AGREES. IN A REPORT ENTITLED, "PUBLIC WORKS INFRASTRUCTURE: POLICY CONSIDERATIONS FOR THE 1980's (APRIL 1983)," THE CBO STATES: THEY TYPICAL INTERSTATE HIGHWAY IS DESIGNED TO LAST FOR 20 YEARS BEFORE IT REQUIRES MAJOR REHABILITATION. WITH CONSTRUCTION ON THE INTERSTATE SYSTEM HAVING BEGUN IN 1956, MORE THAN 41 PERCENT OF THE SYSTEM HAS ALREADY REACHED THIS MILESTONE, AND 75 PERCENT OF THE SYSTEM WILL HAVE REACHED IT BY 1990."

THIS TESTIMONY CLEARLY RECOGNIZES THAT MANY OF OUR INTERSTATE HIGHWAYS ARE REACHING THEIR 20-YEAR DESIGN LIFE, AS EXPECTED, AND NOW REQUIRE EXTENSIVE REHABILITATION OR REPLACEMENT.

HIGHWAY REVENUE NEEDS HAVE GREATLY EXCEEDED REVENUES BASED ON THE PRESENT TAX RATES. THEY HAVE SINCE THE EARLY PART OF THE LAST DECADE. HIGHWAY CONSTRUCTION COSTS ROSE DRAMITICALLY FUELED BY INFLATION AND THE INCREASED COSTS OF PETROLEUM PRODUCTS. BUT NO ATTEMPT WAS MADE BY THE DEPARTMENT OF TRANSPORTATION OR THE CONGRESS TO INCREASE THE REVENUES TO THE HIGHWAY TRUST FUND. ALL VEHICLE CLASSES HAD COST RESPONSIBILITIES WHICH SUBSTANTIALLY EXCEEDED THEIR CURRENT TAX PAYMENTS. HAD HIGHWAY USER FEES BEEN INCREASED THROUGH THE YEARS IN ACCORDANCE WITH NEED, THE INDUSTRY WOULD HAVE BEEN ABLE TO INCORPORATE THOS COSTS INTO TARIFFS ACCEPTABLE TO THE PUBLIC. IN TODAYS ECONOMIC ENVIRONMENT, COMPOUNDED BY A SEVERE OVER CAPACITY IN THE INDUSTRY, THE PROPOSED FEE STRUCTURE WILL BE HIGHLY DETREMENTAL TO A LARGE SEGMENT OF THE INDUSTRY. MANY SMALL CARRIERS WILL NOT GENERATE THE REVENUES TO PAY

THE ANNUAL HIGHWAY USERS FEES. MANY CLASS II AND III CARRIERS PLAGUED BY SEVERE CASH FLOW PROBLEMS WILL FIND IT DIFFICULT TO GENERATE FUNDS FOR A ONE TIME ANNUAL PAYMENT OF THE HIGHWAY USE FEE. FOR THE MOST PART, THEY WOULD FIND IT MUCH MORE COMFORTABLE IF THE FEE WERE APPORTIONED OVER THE 12 MONTH PERIOD AND TIED TO SOME USAGE FACTOR TO AFFORD AN OPPORTUNITY TO PAY AS YOU GO. ONE SUCH SOLUTION IS TO COUPLE THE FEE TO FUEL CONSUMPTION, I.E., A FUEL TAX.

WE EXPECT FROM 60 TO 85 UTAH CARRIERS WHO CURRENTLY HAVE OPERATING RATIOS ABOVE 103 TO 106 TO BE FORCED INTO BANKRUPTCY OR DISCONTINUANCE OF MOTOR CARRIER OPERATIONS, BECAUSE OF THE FEE INCREASES.

THE INCREASE IN FEES RESULTING FROM THE SURFACE TRANSPORTATION ASSISTANCE ACT OF 1982 IS MORE THAN 8 TIMES THE TOAL PROFITS OF THE MOTOR CARRIER INDUSTRY. THIS RAISES THE QUESTION WHETHER THE INDUSTRY, AT THIS TIME, HAS THE CAPACITY TO PAY.

IF THE PRODUCTIVITY OF THE INDUSTRY WERE INCREASED AND IF THERE WERE A CONCURRENT INCREASE IN DEMAND FOR SERVICES, THE INDUSTRY MIGHT THEN BE ABLE TO PAY THE ADDITIONAL COSTS.

THE MAIN PRODUCTIVITY GAINS OF THE SURFACE TRANSPORTATION ASSISTANCE ACT OF 1982 ARE REFLECTED IN THE ABILITY TO USE THE TWIN TRAILER COMBINATIONS IN ALL STATES. ADDITIONALLY, THIS INCREASES OPERATIONALLY FLEXIBILITY IN THOSE FLEETS EQUIPPED WITH TWIN TRAILER COMBINATIONS.

OTHER PRODUCTIVITY GAINS WILL OCCUR WHEN EXISTING FLEETS ARE ABLE TO CONVERT THEIR SEMI-TRAILERS TO THE 102 INCH WIDE AND 48 FOOT LONG EQUIPMENT. IT IS EXPECTED THIS CONVERSION PROCESS WILL TAKE A NUMBER OF YEARS FOR SEVERAL REASONS: FIRST, THERE IS A FINITE LIMIT ON THE TRUCK AND TRAILER PRODUCTION CAPABILITY. SECOND, THE INCREASED HIGHWAY USER FEES WILL BE COMPETING WITH THE CAPITAL NEEDED TO CONVERT

THE FLEETS. AS CARRIERS DELAY THE CONVERSION OF EQUIPMENT BECAUSE OF THE LACK OF FUNDS, THEIR FINANCIAL CONDITION IS EXACERBATED BECAUSE OF THEIR INABILITY TO COMPETE WITH THE MORE PRODUCTIVE EQUIPMENT.

IN THE WEST, NO IMMEDIATE PRODUCTIVITY GAINS WERE REALIZED. WHEN THE 102 INCH WIDE 48 FOOT SEMI-TRAILERS ARE INTRODUCED INTO THE SYSTEM, PRODUCTIVITY WILL INCREASE FROM 0 - 14 PERCENT DEPENDING UPON THE DENSITY OF THE FREIGHT BEING MOVED.

VEHICLES CARRYING HIGH DENSITY COMMODITIES SUCH AS ORES, FUELS, GRAINS, LUMBER PRODUCTS, PROCESSED FOOD, ETC., ALREADY ACHIEVE THE MAXIMUM PERMITTED GROSS VEHICLE WEIGHT BEFORE THEY CUBE OUT. INCREASED PRODUCTIVITY WILL OCCUR ONLY ON THOSE VEHICLES TRANSPORTING LOW DENSITY COMMODITIES WHEN THE VEHICLE CUBE IS INCREASED.

OF EQUAL IMPORTANCE TO THE WEST WOULD HAVE BEEN PASSAGE OF THE PROPOSED AMMENDMENT KNOWN AS THE "PINWHEEL CONCEPT" AND INTRODUCED BY REPRESENTATIVE ANDERSON OF CALIFORNIA. THIS WOULD HAVE AUTHORIZED THOSE STATES WITH INADEQUATE OR QUESTIONABLE "GRANDFATHER CLAUSES" TO CORRECT THE DEFICIENCIES AND PERMIT MULTI-AXLE LONGER COMBINATION VEHICLES ON A REGIONAL BASIS. THIS WOULD HAVE PRODUCED IMMEDIATE INCREASES IN PRODUCTIVITY WITH EXISTING EQUIPMENT AND AT THE SAME TIME, REDUCED WEAR TO THE HIGHWAYS OF UP TO 36 PERCENT FOR THE VEHICLES INVOLVED. WE STRONGLY RECOMMEND THAT FUTURE OVERSIGHT LEGISLATION MAKE PROVISION FOR THIS CONCEPT TO ENHANCE OUR ABILITY TO PAY THE PRESCRIBED FEES, TO REDUCE WEAR TO THE INFASTRUCTURE AND TO REDUCE THE ACCIDENT RATE ON THE HIGHWAYS.

NO HIGHWAY ENGINEER HAS EVER PROPOSED THAT HIGHWAY WEAR IS ASSOCIATED DIRECTLY WITH GROSS VEHICLE WEIGHTS. RATHER, THEY HAVE CONSISTANTLY SAID THE RELATIONSHIP IS WITH AXLE WEIGHTS. WHILE THE EASTERN STATES FOR THE MOST PART HAVE OPTED FOR HIGHER SINGLE AND TANDEM AXLE WEIGHTS WHICH ADVERSALLY INFLUENCE HIGHWAY DISTRESS GEOMETRICALLY, THE WESTERN STATES HAVE PREFERRED LONGER COMBINATIONS WITH

MORE AXLES AND HIGHER GROSS WEIGHTS BUT LOWER AXLE WEIGHTS. THEREFORE, WE SEE LITTLE OR NO ADVERSE AFFECT UPON THE HIGHWAYS AND BRIDGES OF OPERATING THE 102 INCH WIDE 48 FOOT LONG SEMI-TRAILER EQUIPMENT. ALL THE OTHER EQUIPMENT HAS BEEN IN OPERATION FOR DECADES.

THE TESTS OF LONGER COMBINATIONS MANDATED BY THE ACT SHOULD BE CONDUCTED IN THE WESTERN STATES CURRENTLY OPERATING THIS TYPE OF EQUIPMENT. CITY PAIRS SHOULD BE DETERMINED, SUCH AS SAN FRANCISCO - SALT LAKE CITY, LOS ANGELES - DENVER, AND DENVER SALT LAKE CITY. EMPERICAL DATA COULD THEN BE DETERMINED TO SUPPORT THE SAVINGS, ETC., POSTULATED FOR THESE COMBINATIONS. TO DETERMINE THE TRUE FACTS, THESE VEHICLES SHOULD BE ABLE TO OPERATE UNDER FORMULA B UNCAPPED. THAT IS THE GROSS VEHICLE WEIGHT SHOULD BE DETERMINED BY THE NUMBER OF AXLES AND AXLE SPACINGS WITH ONLY THE OVERALL LENGTH BEING RESTRICTED TO THE CURRENT 105 FOOT LIMITATION IMPOSED BY THE STATES.

IN SUMMARY WE RECOMMEND CONGRESSIONAL PROPOSALS FOR CHANGE TO THE STAA INCLUDE:

(A) A THOROUGH STUDY OF THE HIGHWAY COST ALLOCATION STUDY TO DETERMINE IF THE CONCLUSIONS ENACTED INTO LAW WERE APPROPRIATE AND THE INITIATION OF CORRECTIVE ACTION WHERE DICTATED.

(B) THE ELIMINATION OF THE HIGHWAY USE FEE AND THE COLLECTION OF APPROPRIATE REVENUES THROUGH A FUEL TAX INCREASE.

(C) THE ADOPTION OF THE "PINWHEEL CONCEPT" SO THAT EXISTING STATE LAWS IN THE WEST MAY BE CLARIFIED."

FOOTNOTES:

(1) COUNCIL TRANS, INC., ROCKVILLE, MD. A PRIMER ON HIGHWAY COST ALLOCATION,PART II, RESEARCH PROJECT, MAY 1983, p.4.

(2) U.S. CONGRESS, HOUSE SUBCOMMITTEE OF COMMITTEE ON APPROPRIATIONS, DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR 1981, HEARING, 96TH CONGRESS, 2ND SESSION, MARCH 4, 1980 (WASHINGTON: GOVERNMENT PRINTING OFFICE, 1981) p.346.

(3) U.S. CONGRESS,HOUSE SUBCOMMITTEE OF COMMITTEE ON APPROPRIATIONS, DEPARTMENT OF TRANSPORTATION AND SELECTED AGENCIES APPROPRIATIONS FOR 1981, HEARING 96TH CONGRESS, 2ND SESSION, MARCH 18, 1981 (WASHINGTON: GOVERNMENT PRINTING OFFICE, 1981) p.180

Clover Club Transportation Division
P.O. Box 228 (801) 546-1201 Kaysville, Utah 84037

August 16, 1983

My name is Richard R. Bushnell. I am Manager of the Transportation Department of Clover Club Foods Company, a Potato Chip and Snack Food Manufacturer and Distributor, based in Kaysville, Utah. Presently, I am responsible for 22 over-the-road trucks running on the average of 124,000 miles per year. I am also responsible for a fleet of 245 step-van route delivery trucks (10,000 GVW). Our operation covers the 12 Western States and part of Texas from the Canadian border to the Mexican border. We have plants located in Utah, New Mexico and Colorado, with warehouse facilities in all the 12 Western States and West Texas.

In Idaho my operation encompasses 12 warehouse locations, 6 tractors operating 268,155 miles annually (10.37% of total fleet) with a fuel and road tax liability of $29,400.00 in Idaho generated by this equipment and others running through the State of Idaho to service Washington, Oregon and Montana.

Presently I am Vice Chairman of the Energy Committee for the Private Truck Council of America. The Private Truck Council of America is this nation's only independent trade association whose primary concern is that of representing the interests of all private carriage operators.

Private carriage, as you are no doubt aware, is the mode of transportation that is utilized by companies that own their own fleet of trucks but are in the primary business of manufacturing, processing, growing or distributing their own goods.

I would like to focus my testimony on several critical trucking problems; one, the manner in which the DOT is implementing the size and weight increases as legislated in the Surface Transportation Assistance Act of 1982 (which naturally must include "reasonable access"); two, the affect of the STAA as it relates to the use of "dromedary boxes" on my operation and that of others in the food industry; three, the various proposals to alter the truck use fees, and the presentation of the Private Truck Council of America's proposal for a more equitable tax structure for reaching the revenue needed.

With the passage of the Highway Act, although substantially higher taxes were bestowed upon the trucking community, Congress promised to offset the taxes with sorely needed productivity gains. These gains were to be coast-to-coast, useful and productive for every type of shipper. The 102 inch width trailer equipment, the ability to operate double trailers coast-to-coast, establishment of a route system for the longer and wider trucks, and 80,000 pound capabilities in all states. In fact, I believe that it was the intent of Congress to give the trucking industry a year's worth of increased productivity before hitting them with the larger tax burden.

It has taken the DOT much longer than anyone anticipated to implement these coast-to-coast changes and for the trucking industry to realize any significant benefit, or even the belief that enough was being done to allow them to feel comfortable in placing orders for equipment or change their operational paterns. Presently, there is no standard for "reasonable access" for these new, more productive trucks. There is no final listing of which roads must accept the new dimension vehicles. Various states on the east coast continue to do all they can to keep "doubles" off their roads, and the IRS is interpreting the tax exempt status of the less than 33,000 pound vehicles to now draw in any vehicle capable of carrying 33,000 pounds at any time as a taxable vehicle.

The upshot of all this is that in less than one year my vehicles at 80,000 pounds ($3.00 per thousand), Which used to cost me $240.00 in highway taxes, will now cost me $1,600.00 per vehicle and I have little or no productivity relief. For my 22 truck fleet the old tax liability was $5,280.00 per year and with the new STAA we will now pay $35,200.00 annually, that amounts to $30,000.00 out of my pocket with no productivity gains to offset the loss.

The relief is especially important to carriers like myself in the food industry that haul very light loads. The whole productivity goal could be pushed even farther out of reach if the new dimension trucks are not allowed "reasonable access". That key phrase is critically important for the simple reason that if I can not reach my points of business with out costly break-up points and extra running around to shuttle trailer equipment back and forth, I will be spending money in an area that will take away my gain of having longer and wider equipment. "Reasonable access" is vitally critical to the productivity of the STAA. The industry would be saddled with an enormous tax burden with absolutely zero national uniform productivity relief with out it.

The issue of "dromedary boxes" is an area of greatest concern to Clover Club Foods Company and others in the food industry presently using this equipment. I have graphically illustrated the dimensions of the cab-over tractor with a dromedary as compared to a conventional tractor without a dromedary, so that you can see the wheel base and other dimensions of such equipment. Also, on additional pages are the different combinations of one and two trailers that we so desperately need to be allowed to operate. The illustration showing the two different power units is to illustrate that there is no difference in the length or the turning radius of the two pieces of equipment. The use of the dromedary box as outlined in STAA as a "noncargo carrying" power unit changes the status of our power units from them being allowed to operate with two trailers to limiting them to operate with only one trailer, while other power equipment without the dromedary (and possibly the same wheel base) can operate with two or three trailer units in combinations. We feel that this is an area in the law that could best be changed to provide for a "cargo carrying" device to be allowed. The provision should be made to allow 8 feet or less in length and be categorized the same as the non-cargo carrying units. Any truck tractor with a larger than 8 foot cargo box would not be allowed to operate with more than one trailer. This would give a basis for regulation and industry standardization equitable to all concerned. Again, in looking at the two power units as illustrated, there would be no difference in the function of either unit, but only in the descriptive language used in the law. We are presently operating all the equipment that is illustrated under special permits for extra-length equipment in several states.

I strongly urge that you do everthing within your power as a Senator concerned with the plight of trucking and commerce, and as a member of the powerful Finance Committee, to allow us the necessary productivity increases, to withhold funds from the states that may persist in trying to curtail the trucking industry, and to work with the industry to adjust the size of the large tax increase.

I have had the opportunity to review the 2 more prominent tax alternatives to the Heavy Truck Use Tax, and I would like to comment briefly on both and then offer an alternative or compromise.

In the Lame Duck session when truck tax levels were being discussed and compromises were being attempted, Senator Boschwitz put forward an alternative, which PTCA supported, which would cap truck taxes at $1,200 in 1986. The Senate, after reviewing the proposal, thought enough of the idea to vote favorably on it 95 to 1. As time ran out the House, in a mood to go home and not in an overwhelming mood to compromise, blocked the proposal from moving on.

When the new session began, the good Senator from Minnesota re-introduced the $1,200 cap proposal as S-343. PTCA endorses such a proposal and hopes that steps can be taken to see its enactment.

However, as political realists, we are aware that any proposal that is to pass must be very close to being "revenue neutral".

Another Bill that is receiving a lot of interest is HR-2124, or the Diesel Differential Proposal. I must state that PTCA and myself are very much opposed to such an idea.

First of all, a 5¢ Diesel Differential will not raise sufficient revenues which is necessary to keep the proposal "revenue neutral". In order for the Bill to be "a wash", the 5¢ would have to become at least 7¢ and, Sir, that amount on my fleet is staggering. A 7¢ a gallon Diesel Differential will cost my 22 truck fleet $1,598.52 per year per truck or $35,167.44 per year for the fleet.

Furthermore, the Diesel Differential places a burdensome tax on the previously exempt catagories of trucks below 33,000 pounds as outlined in the STAA. To go from zero tax to a slight increase would probably be acceptable, but to go from zero to approximately $280.00 which would be the affects of the 5¢ (according to the FTCA Survey of members using vehicles in the catagory), or worse $450.00 which would be the affect of a "revenue neutral" fuel tax, is unacceptable.

I also fear that under the HR-2124 there will be the temptation to raise the tax a penny or two when the coffers need an infussion of revenue.

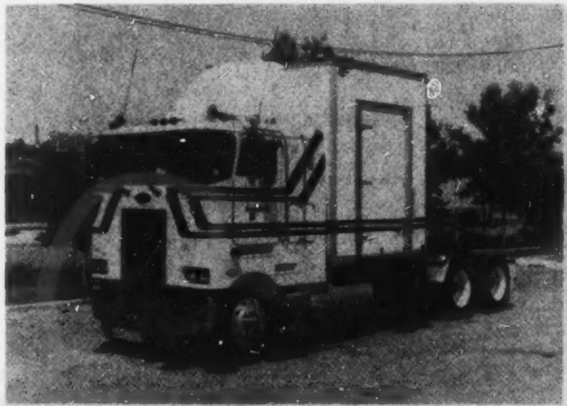
Should any fuel tax be ultimately incorporated, it would have to have a cap placed on it. The ability to raise the tax would of course exist, but the ease of doing so and the temptation to do so would be gone.

Finally, a pure diesel fuel tax would amount to the lighter vehicles subsidising the heavy ones. Most of the truck population generally exists beneath the 55,000 pound level with only a very small percentage in the 70,000 pound and above area. A pure diesel fuel tax would have the exact same tax, 5 or 7 cents being applied evenly across the board on vehicles that run similar miles but have a wide disparity on the weight area.

As I mentioned earlier, PTCA is a realistic group and have been working on a compromise proposal that comes very close to revenue neutrality. The final details have not been cleared through our executive committee as of this date and therefore is not available for me to present at this time, however, I must ask that our proposal be entered into the record as it will be presented in a few short days, prior to the deadline for this hearing. I feel, with the knowledge I have of the proposal at this time, that you will be pleased with the revenue level of the proposal as well as the method of collection from the various segments of the trucking population. The PTCA proposal is a fair and equitable solution to the STAA alternatives being presented by others. PTCA requested that the DOT run this proposal through their computers utilizing their truck mileage and population figures. The DOT requires approximately $12.5 billion be collected from any revenue proposal. This suggested proposal would raise $12.47 billion. (The DOT figures are based on a 80,000 pound vehicle traveling 66,000 miles per year, much lower than the PTCA survey).

Senator, I would like to conclude by saying I, and the PTCA are willing and ready to offer you any assistance in coming to grips with the thorny problems that I have spoken on.

I thank you for the time that you have given me, and I am prepared to try to answer any questions that you may have.



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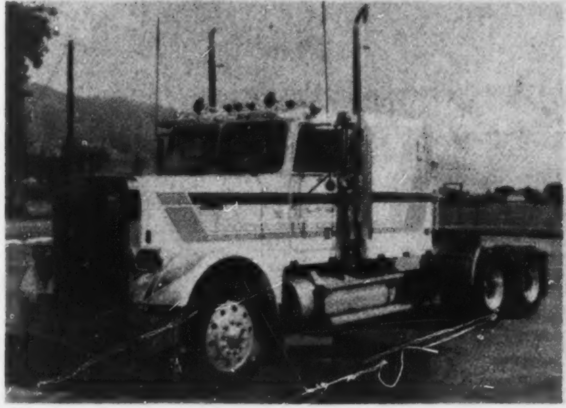

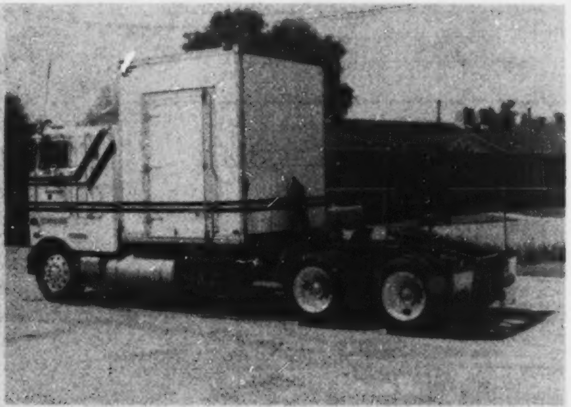

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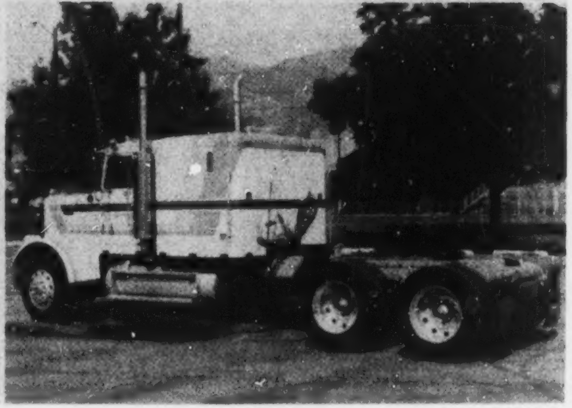

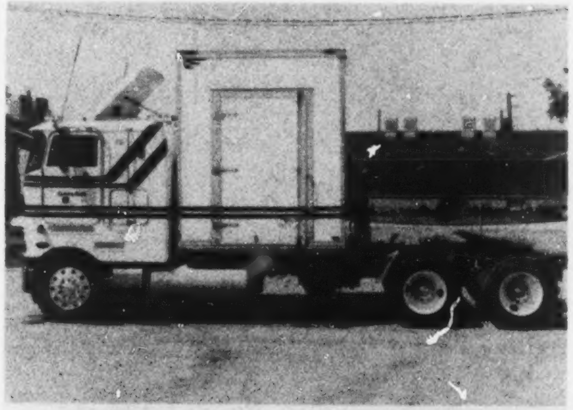

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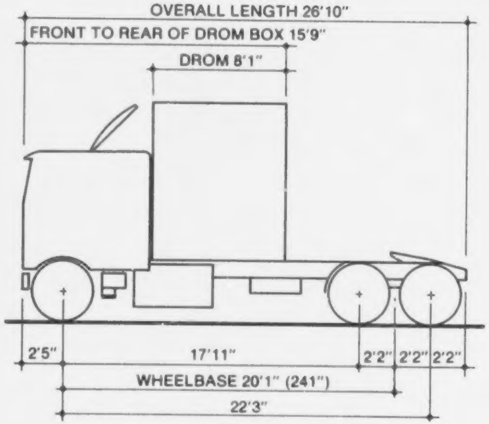
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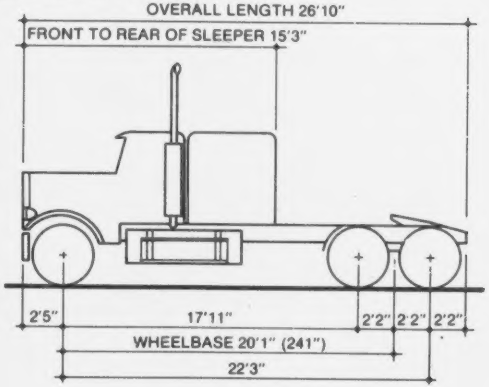
2'5"
17'11"
2'2"
2'2"
2'2"
WHEELBASE 20'1" (241")
22'3"

2

CONVENTIONAL TRACTOR WITH SLEEPER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22'3"

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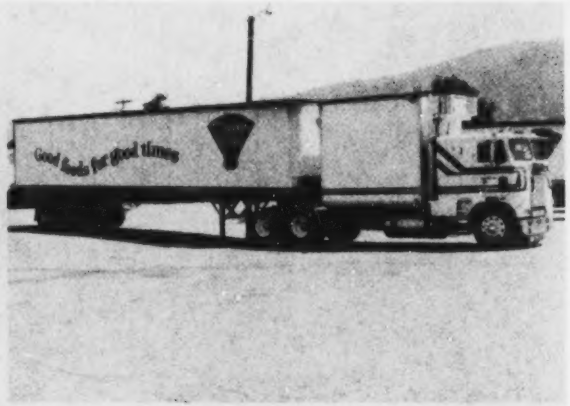
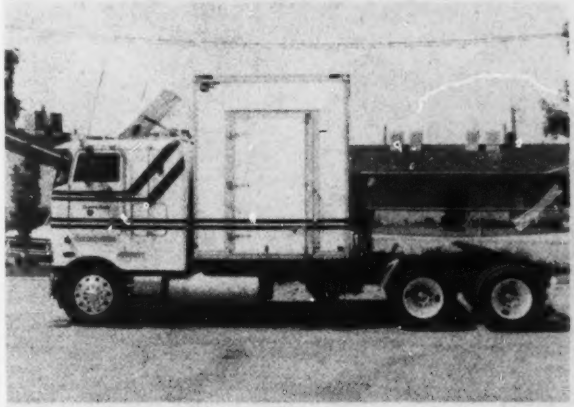

Good foods for good times

2



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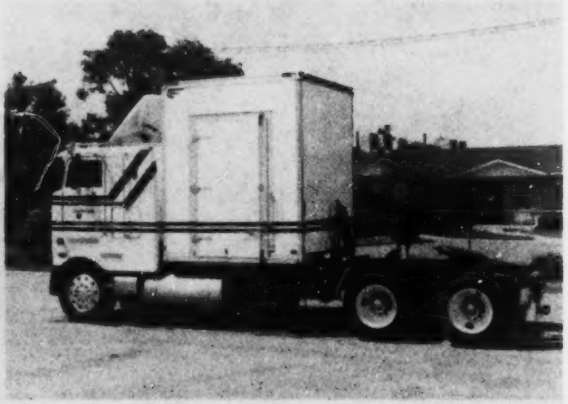

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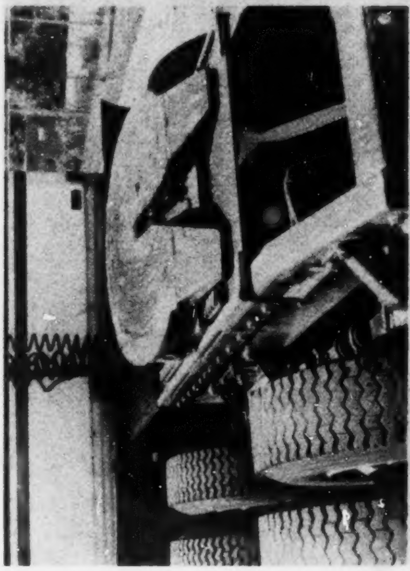

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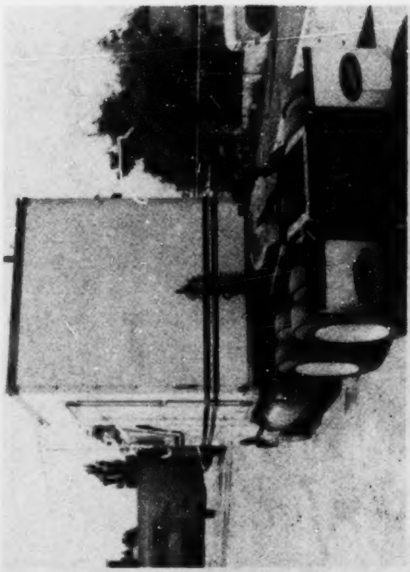

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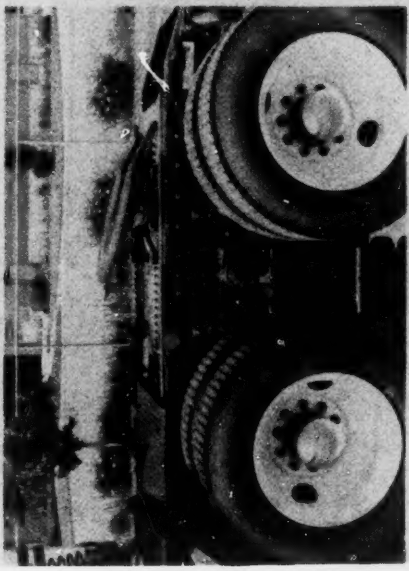

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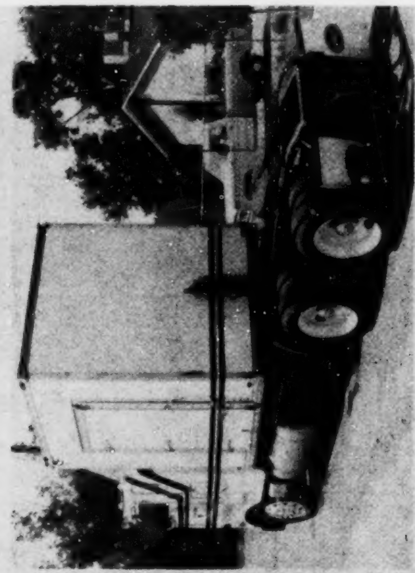

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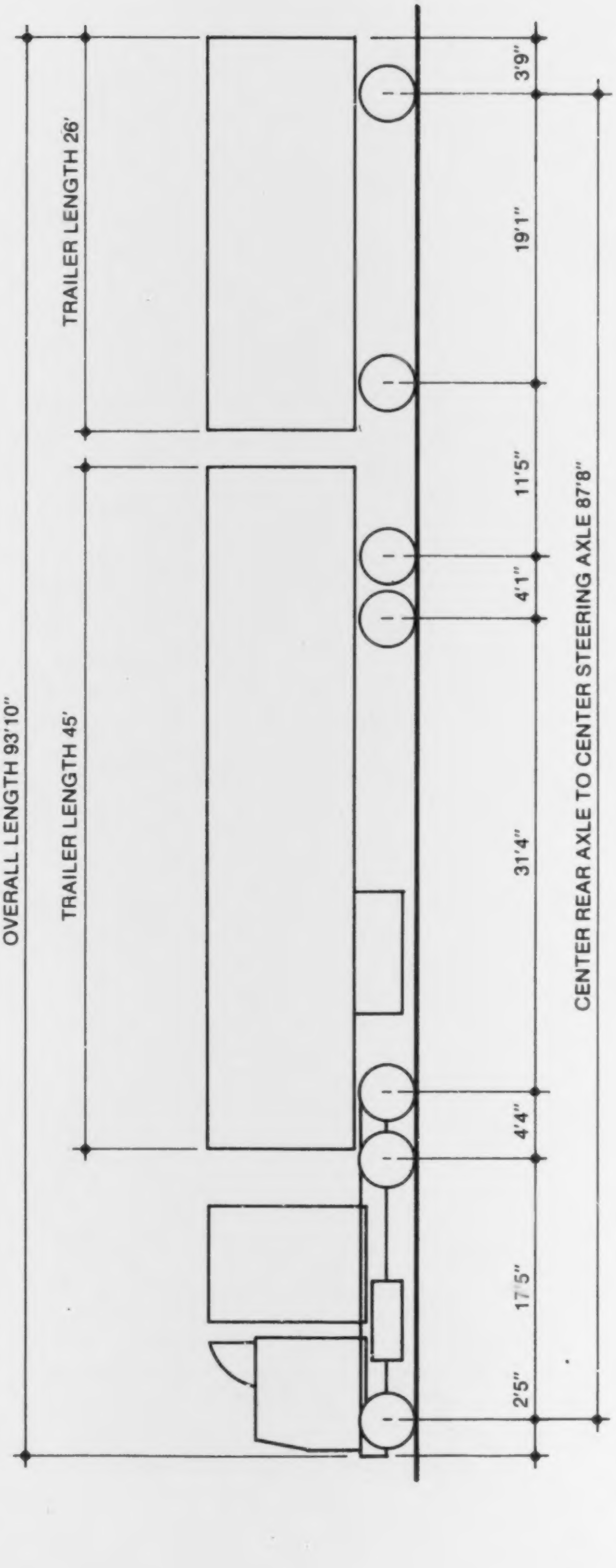
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19'1"
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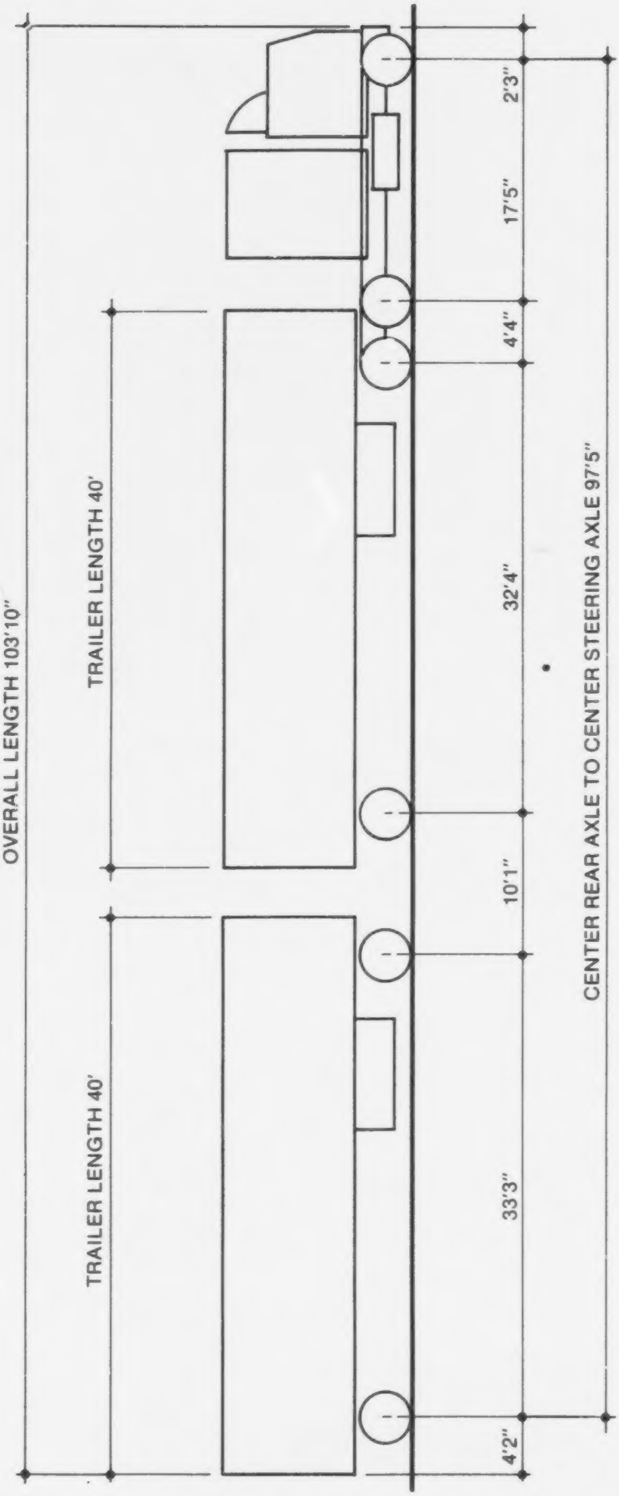
Clover Club
Good foods for good times
Clover Club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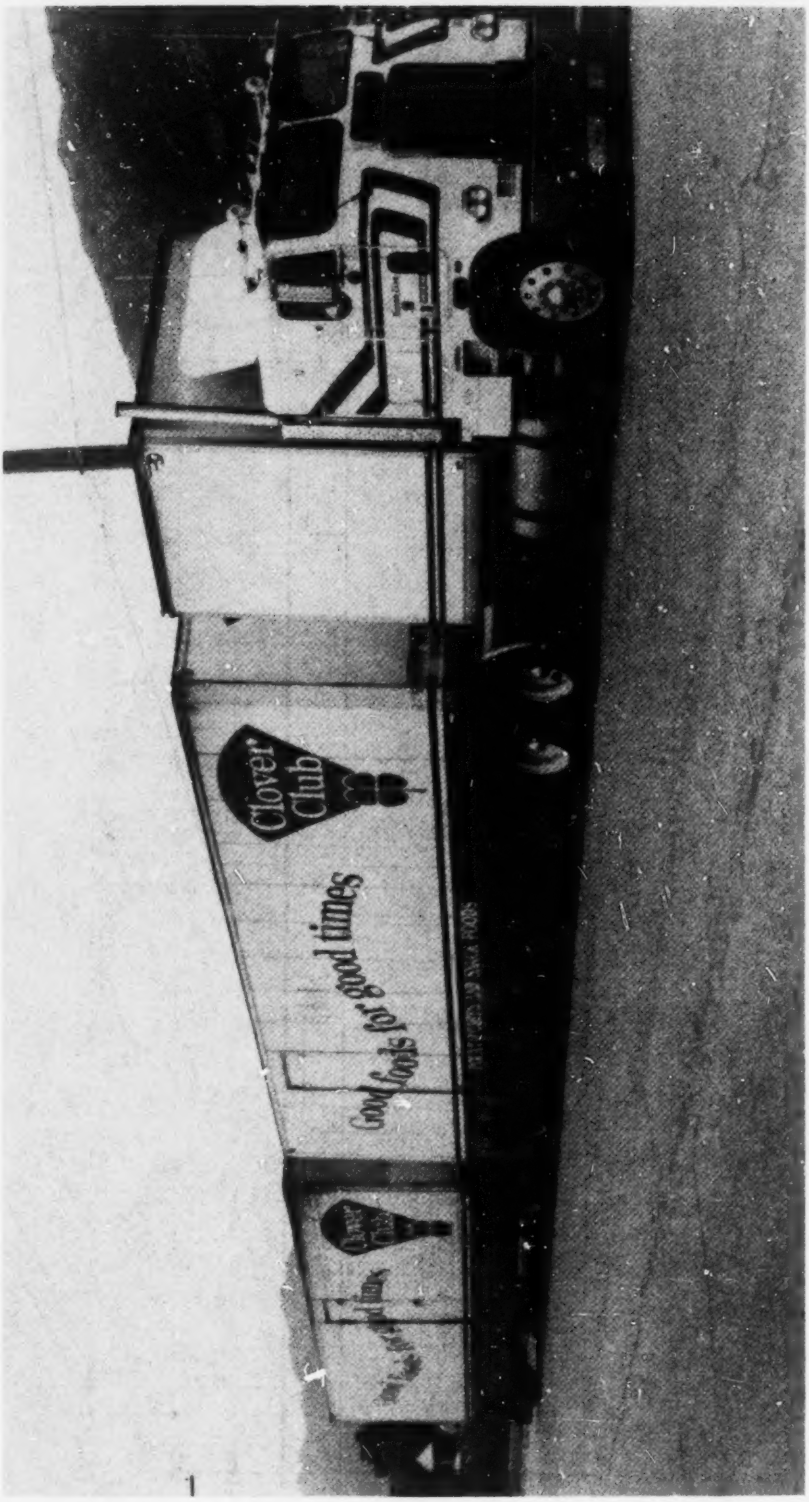
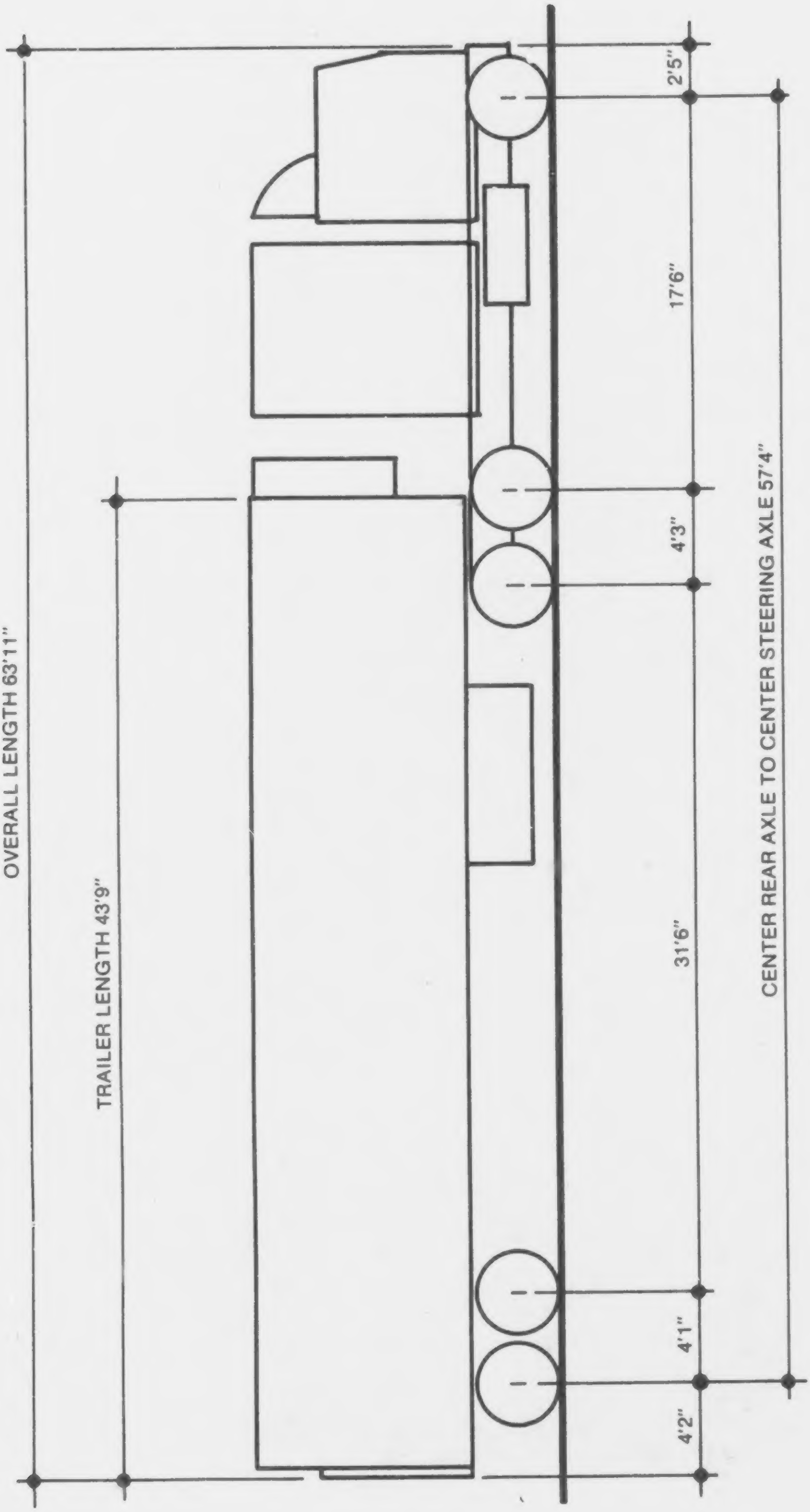

Clover Club
Good foods for good times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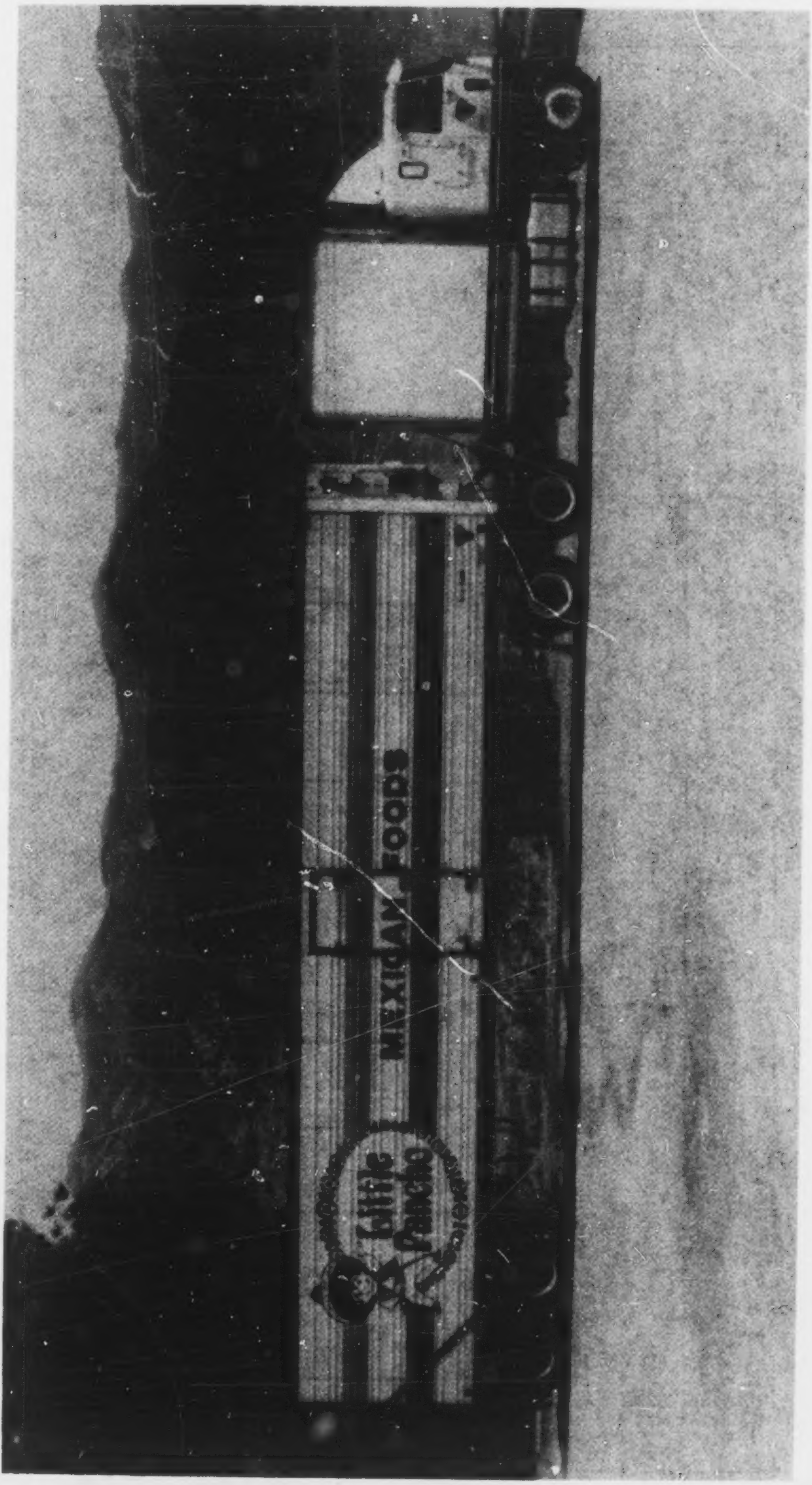
Little Pancho
MEXICAN FOODS

Clover Club **Transportation Division**
P.O. Box 228 (801) 546-1201 Kaysville, Utah 84037

OCT 07 1983

The Honorable Steve Symms
United States Senate
Senate Office Building
Washington, D.C. 20510

October 5, 1983

Dear Senator Symms:

As I promised at the Boise, Idaho hearing that you conducted in August of this year, the Private Truck Council of America tax proposal.

Enclosed is a copy of the proposal from the PTCA. I hope that you will find the proposal an equitable and fair proposal and will be able to support it. There has been much time put into this work and the results look excellent.

Speaking as a truck operator for Clover Club Foods Co., I would like to see this form of tax rather than the diesel differential or the present system for heavy truck taxes. The PTCA proposal is better for us and more equitable for our various types of equipment.

Thank you for your interest and time on this important matter.

Best Regards;

Richard R. Bushnell

Richard R. Bushnell
Manager Transportation Dept.

PRIVATE TRUCK COUNCIL of AMERICA, Inc.
1101 SEVENTEENTH STREET, N.W., WASHINGTON, D. C. 20036
(202) 785-4900

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Joseph M. Normandy, *Executive Assistant*

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Oscar Mayer Foods Corp Madison, WI
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Airco Industrial Gases Murray Hill, NJ

*Past President

STATEMENT OF

RICHARD D. HENDERSON

EXECUTIVE VICE PRESIDENT

PRIVATE TRUCK COUNCIL OF AMERICA, INC.

ON

HEAVY VEHICLE USE TAX ALTERNATIVES

BEFORE THE

NATIONAL MOTOR CARRIER ADVISORY COMMITTEE

WASHINGTON, D.C.

SEPTEMBER 14, 1983

DEVOTED EXCLUSIVELY TO THE INTERESTS OF PRIVATE TRUCK OPERATORS

TESTIMONY BEFORE THE NATIONAL TRANSPORTATION ADVISORY COMMITTEE:

My name is Richard Henderson. I am Executive Vice Pesident of the Private Truck Council of America. The Private Truck Council of America is this nation's only independent organization whose primary concern is the furtherance of private carriage. I am pleased to be able to speak before you today to present to you the PTCA alternative to the oppressive taxation levels that presently exist under the STAA. With me today is my Executive Assistant, Joseph Normandy.

It is well known that PTCA, as well as other transportation organizations, worked diligently in developing some of the provisions of the STAA. The size, weight and length provisions that were to make this industry more efficient were indeed incorporated into the act, the trade-off being higher taxes. However, nine months away from the increased taxes, the definition and implimentation of two words grind the wheels of increased efficiency to a halt. Those two words are "reasonable access". Without the prompt adoption of a useful uniform approach to "reasonable access", the only benefit derived from the STAA will be experienced by the road builders, who will fill their coffers with the money taken from America's trucking industry.

We believe that it was clearly the intent of Congress when they passed the STAA to give the fleets of over 5 vehicles a minimum of 12 months of productivity gains before socking them with the tax increases (fleets of 5 vehicles or less enjoy an extra year's grace).

However, at the present rate, a "final highway network" won't be in place until October, with changes likely to occur with regular frequency and "reasonable access" definitions that are usable by the industry are still a long way off.

The only seemingly definite deadline that state and federal officials are anxious to meet is that of collecting the increased taxes.

PTCA, like every other responsible transportation organization, recognizes the STAA taxes on heavy trucks as far too excessive. The government's goal of improving the highways and bridges is a laudable one. To finance those improvements on the backs of one segment of the trucking industry is shortsighted, irresponsible and patently unfair.

Although we do not support the findings of the cost allocation study, nor the premise that heavy trucks are to blame for the vast majority of highway damage, we recognize a more pressing issue. While we hope to be able to eventually introduce better reasoned arguments to the cost allocation study, PTCA firmly believes that the greater, more pressing danger is only nine months away. The taxes, as passed under STAA, must come down or risk driving a railroad spike through the heart of the trucking industry. We believe that all efforts should be geared to adjusting the taxes downward as a first step, then re-open the issue of the cost allocation study in an effort to make a more lasting and fairer change to the industry.

In the fall of 1982, PTCA was in full support of the amendment to the highway act, known as the Boschwitz amendment, that would have capped the heavy vehicle use tax at $1,200 in 1986. At the time a Senate vote was taken, this amendment passed the Senate 96 to 1 (obviously a glowing endorsement from the Senate). Not wishing to review the painful history but stall tactics caused the hour glass to run out and with the House in a mood to go home, saddled us with the tax structure we have today.

Several bills have been introduced to address the truck tax problem. They have many different approaches ranging from a pure Diesel Fuel Differential to a re-introduction of Senator Boschwitz's earlier amendment. What these bills all have in common is that they are revenue short. At this point in time for good or evil, a plan must be developed that yeilds approximately $12.5 billion in 1985.

PTCA endorses the approach of the Boschwitz Bill. We especially like the financial obligation levels as spelled out in S.343. However, as political realists, we recognize that a bill with a substantial revenue shortfall is doomed to non-passage.

In order to properly address the option to the STAA, PTCA obtained an honest picture of its membership. The ease in collection made the Diesel Fuel Differential proposal appear attractive, so PTCA conducted a random phone call survey of its membership. This survey asked several questions, critical to the analysis of a diesel fuel proposal. Those questions (how many diesel trucks do you operate at various weights, how many miles do those vehicles run per year, and what is your average diesel miles per gallon) revealed some interesting findings.

What PTCA found was that the amount of money to be paid by truckers was to be substantially higher than the estimates previously revealed by supporters of a pure Diesel Fuel Differential.

This dramatic increase in fees caused PTCA to survey the entire membership asking similar questions to those asked over the phone. These results, with eventually one-third of the membership responding, revealed similar findings: a Diesel Fuel Differential, although admittedly easy to collect, has some serious problems - not the least of which is that it is revenue short.

The members of PTCA know that the pure Diesel Differential approach is deceptive, as well as revenue short. It would levy the same tax on all Diesel powered vehicles, regardless of weight. It would hit the largest segment of the trucking industry - those vehicles under 55,000 pounds - with a tax, by population size, that would amount to paving the highways with revenues from predominantly those vehicles. It puts back a tremendous financial burden on those vehicles under 33,000 pounds, these vehicles being made use tax free by the STAA. And finally, this bill is deceptive because its attractiveness is only enhanced by a recessionary or struggling economy. We feel that the costs of a pure Diesel Differential are too high now. As the U. S. economy improves, those costs will be staggering.

The DOT analyzed the feasibility of a revenue neutral Diesel Fuel Differential. If PTCA opposes a 5 cent Diesel Differential, then you can be sure we strongly oppose any revenue neutral Diesel Differential that would require an additional 7 cents per gallon.

The membership of PTCA directed our Executive Committee to develop a fair and equitable proposal that would truly mirror the trucking industry. I am pleased to be able to present to you for the first time what we are temporarily calling the PTCA Proposal to alter the Heavy Truck Use Tax Structure.

One: A 2 cent Diesel Fuel Differential would be levied on all Diesel vehicles over 10,000 pounds. Since a mechanism is already in place for fisherman and farmers to obtain Federal diesel tax money paid out, rebating similar funds to diesel vehicles 10,000 pounds and under should not prove to be a governmental obstacle. The 2 cents, however, would be capped at that level to prevent the raising of the figure by Executive Order. Should an increase be warranted, Congress would have to first remove the cap, then raise the tax, thus insuring the trucking industry's input into the increase request.

Two. Vehicles up to 32,999 lbs. will be exempt from a truck use tax.

Three. All vehicles between 33,000 lbs. and 54,999 lbs. would pay a tax along the lines of the former tax schedule. They would be required to remit $4 per 1,000 lbs. per vehicle.

Four. Vehicles between 55,000 lbs. and 80,000 lbs. (and above) would be required to remit one-half (½) of their 1988 STAA levels each July.

Five. Every two years Congress would be required to receive an in-depth analysis of not only the monies coming into the Highway Trust Fund, but also begin to supply a sorely needed accurate picture of the trucking industry. If upon a complete review, revenue levels show that an adjustment up or down is required, then Congress would do so at that time.

Six. PTCA has adopted the DOT figure of 5,000 miles as the figure not to be exceeded if one wishes to be exempt from this tax. We have no information on whether this figure is high or low, and if proof can be presented to suggest adjusting this, we are open to discussion.

This proposal has been viewed by individuals within DOT. It has received a complete analysis and has been run through the DOT revenue computers. The PTCA proposal raises all but 2.3% of the needed $12.5 billion.

PTCA has no reason to expect that DOT would oppose such a proposal. We recognize that DOT must stand by their STAA as written. However, we believe that the DOT "would not veto" a proposal as we just presented.

Allow me to address the shortfall issue.

Several items will account for the withering away of the 2.3% shortfall.

First. Due to an improved method of collecting the Highway Trust Fund Monies, many previously elusive trucks will be paying a federal tax for the first time. Estimates range from 7% - 25% of the trucks are not presently paying. We believe that since the states have been charged with the responsibility of receiving proof of federal tax payment at the time of state registration, the tax paying rolls will swell by approximately 15%.

Second. The last time a truck census was performed was 1977 and it is that base that is being used in the DOT revenue computer. We believe that at least two items are wrong. One, we believe that the truck population is understated and two, we believe that the yearly vehicle mileage figures are grossly understated. For example, in 1985 DOT projects that an 80,000 pound truck will be running 65,000 miles per year. Our survey showed that 80,000 pound private fleet vehicles are running nearly 95,000 miles per year in 1982 and we know of other industry trucks that run well into six figures in yearly mileages.

So you see, with increased compliance to the tax, with a truer reflection of both truck population and truck mileages, we believe the 2.3% will wither away.

For your review, we have enclosed a 6 column grid that reflects the costs that PTCA member trucks would incur should any proposal as previously mentioned go into affect. I ask that you take a moment to review the chart and examine the costs.

At this point, I will be pleased to answer any of your questions.

PTCA PROPOSAL

1. All vehicles above 10,000 GVW will pay a Diesel Fuel Differential that is capped at 2¢ per gallon.

2. All vehicles up to 32,999 pounds GVW will be exempt from paying a "Heavy Vehicle Use Tax".

3. Vehicles weighing between 33,000 pounds and 54,999 pounds GVW will pay $4.00 per 1,000 pounds.

4. Vehicles 55,000 pounds and above will be required to pay one-half of their 1988 STAA levels.

5. Vehicles traveling less than 5,000 miles per year will remain exempt from the "Use Tax".

6. Congress will be mandated to review all funding receipts from this tax no less than every two years in order to insure the mandated levels are being met. Should the monies being received into the Highway Truck fund be higher or lower than anticipated, then Congress shall have the power to adjust the funding procedures as necessary.

PTCA has shown this proposal to the DOT, and they have run this proposal through the official computer. We know that using the disputed DOT figures, this proposal raises all but 2.3% of the needed revenue. Increased collections compliance, coupled with realistic truck mileages, will reduce the 2.3% to the point where this proposal should be revenue neutral.

[illegible] OF HIGHWAY TAX ALTERNATIVES

DATE/LBS.	1982 HIGHWAY ACT	S343 SENATOR BOSCHWITZ BILL	HR2124 * REPRESENTATIVE FRENZEL BILL	INITIAL SURVEY RESULTS	DIESEL DIFFERENTIAL REVENUE NEUTRAL	PTCA PROPOSAL
JULY 1984						
10,000 lbs.	-0-	-0-	$ 44.07	$ 52.65	$ 85.84	$ 21.46
22,000 lbs.	-0-	-0-	$164.27	$263.06	$ 452.96	$ 113.24
33,000 lbs.	$ 50.00	$ 27.00	$256.61	$320.60	$ 512.96	$ 215.24
40,000 lbs.	$ 225.00	$ 34.00	$322.58	$451.70	$ 722.72	$ 354.68
55,000 lbs.	$ 600.00	$ 50.00	$403.23			
70,000 lbs.	$1,200.00	$ 200.00	$599.31	$843.60	$1,349.76	$ 962.44
80,000 lbs	$1,600.00	$ 400.00	$689.65	$863.30	$1,381.28	$1,295.32
JULY 1985						
33,000 lbs.	$ 50.00	$ 54.00				
40,000 lbs	$ 225.00	$ 68.00				
55,000 lbs.	$ 600.00	$ 100.00				
70,000 lbs.	$1,200.00	$ 400.00				
80,000 lbs.	$1,600.00	$ 800.00				
JULY 1986						
33,000 lbs.	$ 50.00	$ 80.00				
40,000 lbs.	$ 225.00	$ 150.00				
55,000 lbs.	$ 600.00	$ 300.00				
70,000 lbs.	$1,260.00	$ 600.00				
80,000 lbs.	$1,700.00	$1,200.00				
JULY 1987						
33,000 lbs.	$ 50.00					
40,000 lbs.	$ 225.00					
55,000 lbs.	$ 600.00					
70,000 lbs.	$1,320.00					
80,000 lbs.	$1,800.00					
JULY 1988						
33,000 lbs.	$ 50.00					
40,000 lbs.	$ 225.00					
55,000 lbs.	$ 600.00					
70,000 lbs.	$1,380.00					
80,000 lbs.	$1,900.00					
JULY 1989						
33,000 lbs.	$ 50.00					
40,000 lbs.	$ 225.00					
55,000 lbs.	$ 600.00					
70,000 lbs.	$1,380.00					
80,000 lbs.	$1,900.00					

* HR 2124 - Representative Frenzel Bill: (Eliminate the truck use tax and replace it with a diesel differential: 2¢ in 1983 and 3¢ more in 1984. An annual rebate will be allowed on vehicles weighing 10,000 lbs. and

COMPTON
Transfer & Storage Co.

4302 Industrial St. • (208) 336-5300
P. O. Box 7767 • Boise, Idaho 83707

August 22, 1983

Sen Steve Symms
Committee Hearing
Holiday Inn
Boise, Id.

Senator Symms and Committee:

Our firm is engaged in the low mileage end of the transportation business. Our moving vans operate mostly in the northwest and will probably not exceed 25,000 miles per year. Our freight trucks operate in local cartage for the most part and will turn 10,000 to 15,000 miles per year.

The chart below indicates the very adverse effect of fixed use tax on a low mileage fleet.

Annual Miles Operated	Average Fuel Economy	Gallons of Fuel Consumed	Divided into new Use Tax 1988	Use tax expressed as equivalent tax per gallon of fuel	Plus 5¢ fuel tax equals total tax per gallon
100,000	5 mpg	20,000	1,900	9.5¢	14.5¢
50,000	5 mpg	10,000	1,900	19.0¢	24¢
25,000	5 mpg	5,000	1,900	38¢	43¢
10,000	5 mpg	2,000	1,900	95¢	$1

It is very clear that the low mileage carrier would much prefer to see the entire tax for highway use placed on the price of fuel. Keep in mind that the 10,000 mile unit which is paying the equivalent of $1 per gallon is very often not using the interstate highway system.

If the purpose of the tax is to pay according to use, the heavy trucks turning the most highway miles will pay their fair tax only if the entire tax is placed on the price of fuel.

It is our understanding that HR-2124 would accomplish this fair tax method and we would urge your support for a fuel tax only.

Sincerely

Glenn M. Compton
President

Since 1902 • 80 Years of Continuous Service

ANTICIPATED ECONOMIC EFFECTS OF THE SURFACE TRANSPORTATION ASSISTANCE ACT OF 1982

TUESDAY, AUGUST 23, 1983

U.S. SENATE,
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS,
SUBCOMMITTEE ON TRANSPORTATION,
Coeur d'Alene, Idaho.

The subcommittee met at 10 a.m. at the North Shore Plaza, Coeur d'Alene, Idaho, Hon. Steven D. Symms (chairman of the subcommittee) presiding.

OPENING STATEMENT OF HON. STEVEN D. SYMMS, A U.S. SENATOR FROM THE STATE OF IDAHO

Senator SYMMS. Good morning. The Subcommittee on Transportation will come to order. Yesterday, we had what I considered to be a very successful hearing in Boise. I've long believed that it is very important to get out of Washington, to hold hearings around the country. So, I appreciate the opportunity to be here today and to hear from those of you who will be testifying. As you know, there has been a great deal of controversy over the taxing level that is proposed in the 1982 Surface Transportation Assistance Act.

I think that there is a very good possibility that the Congress is going to take a look at this, and I would anticipate that there will be some changes made in it. So, I thank you for your testimony yesterday and here today. It is very important for the deliberations of the committee. Senator Dole, although not on the Transportation Subcommittee—he is chairman of the Finance Committee—is very interested in the input that will be gathered here today, and is following this issue very closely, as well as Mrs. Dole, who is Secretary of Transportation. I'm working very closely with both of them in this matter. We look forward to hearing from you today.

It is a pleasure to be here. I don't know about the weather today. I was kind of surprised to see it pouring down rain. We were here last week, and the weather was so beautiful, you wouldn't imagine it could change this much.

As I mentioned, the legislation last year was a culmination of over 2 years of hearings by the Subcommittee on Transportation on this country's rapidly decaying road and bridge system. Many of you use the road system throughout Idaho and the country and have firsthand knowledge of the unsafe condition of that system. It is decreasing productivity and increasing our costs, in many cases, and is a threat to safety.

Construction costs increased dramatically during the last several years while the deterioration of highway and bridges was accelerating. A consensus of opinion was reached that all levels of government—Federal, State, and local—would have to increase the amount of money dedicated to highway rehabilitation. At the Federal level, there has been a longstanding belief that the principal of highway user fees is those that use the highways pay for the construction and rehabilitation. It has worked well in providing the best surface transportation network in the world. Congress remains committed to this philosophy of highway user's fees in financing the highway system.

If the Federal Government was to meet its escalating costs and responsibilities, more money was obviously needed to fund the Nation's highways. And that meant additional revenues had to be raised because the point had been reached where more money was going out of the highway trust fund than was going in. Highway user's fees had to be increased.

Now, because I do not believe this country can afford to lose the investment it has made in our highway system, I worked very hard for the passage of the Surface Transportation Assistance Act of 1982 and the 5-cents-a-gallon gas tax increase. I firmly believe we cannot have a sustained or healthy economy without a first-class surface transportation system.

In the final days of the 97th Congress, I often disagreed with various provisions of the bill as it was debated. However, compromise was necessary in order to make sure the basic program was maintained. Without compromise, passage of the act would have not occurred, and our roads in Idaho and across the Nation would have continued to deteriorate at a rate faster than we would be able to repair them.

I am not convinced that the users' fee increases enacted into law are in every case in the best interest of the country and its vital industries. I think it is extremely important to continue to provide public foras for those individuals and groups impacted by the Surface Transportation Assistance Act to explain to Congress what effect this legislation, both positive and negative, will have on their ability to maintain a healthy industry.

The subcommittee has asked witnesses to address the following issues: The impact of the tax structure implemented by the Surface Transportation Assistance Act on the trucking industry; productivity gains experienced by the trucking industry as a result of the increased truck size and weight provisions in the Surface Transportation Assistance Act; legislative proposals introduced by Members of the House and Senate which would alter the tax structure in the Surface Transportation Assistance Act; the effect of increased truck sizes and weights on the condition of roads and bridges and to what extent reasonable access should be permitted; and the Department of the Transportation's preliminary report on alternative tax structures.

As I said earlier, I do appreciate all of you that are going to testify today.

In my conversations with Senator Dole, the chairman of the Finance Committee, in which I'm also a member, it seems most likely that we will be taking another look at the Surface Transportation Assistance

Act sometime early next year. At the least we will have some hearings in Washington and open the question up again.

I might just throw one cautionary point out to all of us here. That in the passage of the Surface Transportation Assistance Act, I believe that we did very well from a standpoint of protecting the States which have large areas and small populations—Idaho, of course, being one of those—with respect to the highway formulas. So, whatever we do with respect to the legislation, we need not measurably alter the total revenue dollars that are projected. If that can be accomplished, well then, I think to shift the tax to a field users' fee instead of a users' fee on trucks, or something like that, would not require reopening the formulas. But I think we all must remember that it was a very long and arduous fight to keep the formulas favorable to the States like Idaho. It would be very detrimental to this State to reopen the formulas, and then have the bigger urban States be able, for some reason, to muster enough votes to changes the formula, and we end up losing millions of dollars in highway funds.

As most of you are aware, we get back somewhere in the neighborhood of from $1.50 to $1.70. Every dollar put into the trust fund is returned back to the State for highway programs.

I might just mention that yesterday we had witnesses from the State of Idaho Department of Transportation; from AASHTO, Association of State Highway Departments of Transportation; and many of the people in Boise: Claude Able, the Idaho Motor Transport Association; and others who have interest in the trucking industry, the concrete aggregate people; different freight transportation people that have different aspects of the job. I found it to be very helpful to receive their testimony. I think it will be very helpful to my colleagues, not only on this committee, but on the Senate Finance Committee. The first panel will be Brad Littlefield of Louisiana Pacific; Larry Meredith, managing director of the Wyoming Trucking Association; and Marty Sangster, managing director of the Washington Trucking Association. If those three could come up, and if we might, while they're getting seated, have panel No. 2, Kenneth Heald, chief engineer of the Western Highway Institute, come up to the front row to get prepared for the next panel.

I guess Brad Littlefield is not here?

Spectator. Mr. Chairman, I'm sure he will be here a little later. He had to come down from Moyie Springs.

Senator **Symms.** Well, we'll let him testify a little later then. We'll hear from Larry Meredith and Marty Sangster. Gentlemen, you have prepared statements. I might just announce at the beginnig of the hearing, we have requested that witnesses try to keep their statements as close to 5 minutes as possible. I see we have 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13—14 witnesses. So, we should be able to accommodate everyone if we try to stay within that limit, if possible.

I assure you all that your statements will be a part of the record, and encourage everyone to summarize to stay within the time limit. I might also mention that in the back of the room our leadoff witness yesterday was Lester P. Lamm, the Deputy Administrator of the Federal Highway Administration. He is here today, and he will be listening to the testimony. He works directly with Ray Barnhart, the

Administrator of the Federal Highway Administration. I think that will also be helpful, to have the administration hear what those of you here in the field that are actually living with the potential tax liabilities that you may face, have to say.

So, Larry Meredith, please, go right ahead.

STATEMENT OF LARRY E. MEREDITH, MANAGING DIRECTOR, WYOMING TRUCKING ASSOCIATION

Mr. Meredith. Thank you. Senator Symms, members of the subcommittee and staff. My name is Larry E. Meredith. I am the managing director and chief executive officer of the Wyoming Trucking Association. I had a highlighted copy of the statement, but somehow in the excitement I handed it out to someone. Unless they return it, I'll probably go through the whole thing and have trouble staying on the 5-minute line.

While only a small percentage of the motor carriers who use Wyoming's highways are members of or pay my association to represent them, more than 600 do. The rest seem willing to let me do the work.

After almost a lifetime in the trucking industry and 24 continuous years on this job, I am beginning to form some opinions. I've also developed a lot of respect for congressional committees. I grew up on a Wyoming ranch. I developed a lot of respect for rattlesnakes, I just don't trust them.

So, we don't always get out of the committee hearings what we want.

My purpose in being here today is simple and can be stated briefly. Speaking for the people I represent: First, we abhor the tax provisions of the Surface Transportation Assistance Act of 1982, and we urge the early repeal of those provisions.

We support taxation of the motor carrier industry fairly and equitably as needed to build and maintain the highways of this Nation. And we believe those goals can be reached through enactment of H.R. 2124 now before the U.S. Congress and S. 1475 now before the U.S. Senate.

We reject as wholly inaccurate and incomplete the cost allocation studies accepted by the Federal Highway Administration and the DOT and insist that there is no way the motor carries industry can survive if taxed in accordance to that study.

We know what a ton-mile or weight distance tax is because we have lived with one for years. We know its faults as a member of this family. We know from experience that it will not work. We cannot accept that concept.

We as a State where use of the interstate highways within our borders are limited by weight limits forced upon us by the Highway Act of 1956, mildly modified by the same act in 1974–75, plead with this subcommittee and any congressional entity who will listen for relief and equity with the States which surround us.

As nearly as I can determine there are only two reasons for highways: To move goods and people from one place to another and to aid in insuring the defense of our Nation. No one has come up with a better means of meeting those goals. I am convinced that if there were a better way, we wouldn't be engaged in this effort today.

Regardless of what you might read in the media, or what the experts might tell you, moving commodities from one place to another in this country is still best accomplished by motor trucks. In Wyoming, it's been many, many a year since a cow rode the train to the feedyards. Indeed, 100 percent of our livestock, 100 percent of our potato crop, 90 percent of our bentonite move out of the State by truck. One hundred percent of the fresh citrus products from Florida and California, and 100 percent of the canned products are served by Wyoming mothers because the trucks brought them.

Otherwise reasonable and intelligent people, for some reason, have tunnel vision where the motor truck industry is concerned. This is not limited to the driver of the small car on the highway, but extends to personnel in State highway departments, personnel at the Federal Highway Administration, and those who generate policy at the Department of Transportation.

Somehow the public road concept has been distorted to "my road." Motorists don't want to share the road with a truck and we can realistically understand and share their concern. What we can't understand is why a bridge engineer or State highway official resents the presence of trucks, or why the policymakers' unstated goal seems to be the decimation of this industry. In Wyoming, 69 cents of every highway tax dollar comes from the motor carrier industry. That also means that the trucking industry pays 69 cents of every dollar paid our highway officials. The situation is the same, with varying percentages, in every State in this country. And if we don't have a highway network, there would be no need for those Federal experts, either.

Everybody is a highway expert on how highways should be managed. Very few of us run down to Houston to tell NASA how to manage the space program, and we didn't advise the University of Utah on how to perfect an artificial heart. Highways require some degree of expertise in their management, and we would do well to listen to those who have made those fields their careers.

Wyoming may be a small State in the terms of our relationship to the total picture, and our opinions and congressional votes may be small, but we can read and we have come to some important conclusions.

We believe, after reading DOT's latest analysis of the motor carrier industry, that their recommended proposals were a predetermined goal set many years ago. We believe that the ton-mile, weight-distance, tax proposals were to be the means to replace the industry, as we know it, with something far different.

First, there was a move to deregulate the motor carrier industry. For all intents and purposes, that has been done. Ratemaking and enforcement is on the ropes, and if present trends continue, will be gone. Then came the Federal Cost Allocation Study whose only goal was to prove that big trucks caused all the wear and tear on the roads. Then came the Surface Transportation Assistance Act of 1982, with a highway use tax on the trucking industry so burdensome that an already faltering industry will be dealt a death blow if allowed to stand. As we see it, the unstated goal of the Surface Transportation Act was to create a situation so unbearable and intolerable, that any solution which seemingly could provide relief would be jumped on by the trucking industry. I suspect there would be as much evasion as there is under the current system of Federal use taxes or the so-called unladen ton-mile special fuels and compensatory fees taxes in Wyoming.

We have some pretty elementary observations about the present Surface Transportation Act of 1982, and the DOT's paper on the effect of that law on this industry.

Let's imagine for a moment that we accept the promise that the heavy truck is not paying its fair share and, therefore, should be assessed a highway use tax, as embodied in the Surface Transportation Act. If that is true, then why does John Jones, who owns five or fewer that are just as heavy as anyone's, get 1 year's deferment in payment of those taxes? Won't his five trucks do any damage in that year? Will Bill Smith's six trucks do damage? They must. He has to pay the increase in 1984. Will John Jones be better able to pay in 1985? Probably. He'll perhaps still be in business while Bill Smith lost out in 1984. But who's left to pay in 1987? Somehow our Congress has decided that big must be better able to pay, no matter what the cost.

Now along comes DOT's report with the predetermined goal, a weight-distance tax. This will solve all our problems, at least in the eyes of the only two non-Government groups who have supported it: The American Automobile Association and the American Association of Railroads.

The DOT states in the opening paragraph of its paper, "Alternative Vehicle Use Tax Study," that its mandate from Congress is to "insure that highway taxes be collected in a manner that is not only equitable to all users, but also within practical limits of administrative feasibility." The balance of the paper is then devoted to justifying the weight-distance tax as the means to achieve that mandate. As a practical reality, the weight-distance tax cannot achieve a semblance of one part of the mandate, let alone both. We agree with the DOT that the tax in its present form does not directly vary with mileage traveled, and we question that there is equity among users.

The DOT proudly points out that, in the history of the highway program, that it has been self-supporting with the users paying the cost. We, in this industry, are proud of that record as well. We have been a big part of that self-supporting, pay-as-you-go position from the beginning. On occasion, we have objected to unreasonable taxation proposals, and we will continue to do so. We have always supported the payment of this industry's fair share. One of the more interesting omissions in the DOT report and all the prelude leading up to it, has been the billions of dollars in the Federal Highway Trust Fund that have not yet been spent. Could it be that this balance is not to be disturbed? It does help to reduce the Federal budget deficit, even though the funds are dedicated to the highways.

Another interesting fact noted in the report is the fact, "The weight distance tax has been proposed by those outside the trucking industry as the most equitable alternative."

This industry is not looking for ways to tax itself. We are realistic, however, and we believe that the diesel differential proposed in S. 1475 and H.R. 2124 will do the job without creating an undue burden on this industry. Opponents to this concept say that fuel consumption is not a good measure of highway usage. That simply is not true. The heavy truck which averages 4 miles to the gallon of diesel fuel pays twice as much as the lighter truck which averages 8 miles to the gallon, and 5 times as much tax as the still-lighter vehicle which gets 20 miles to the gallon, and 10 times the rate of the economy car getting 40 miles to the gallon of diesel fuel. We already have a differential built in. If you combine that usage rate with an actual cents-per-gallon differential, I am convinced that the heavy users of the highway will continue to pay their fair share and more of highway cost responsibility.

Imposing a weight-distance tax ignores what I stated earlier, that a highway is to move goods and people and to aid in the defense of our Nation. The little lady who lives in Lost Springs, Wyo., has a stake in that highway, even though she may never drive a mile on it. Somebody has to deliver her corn flakes and orange juice and you can jolly well believe it won't be the Chicago & Northwestern Railroad which goes right through her town.

Wyoming is also one of the States which succumbed to that fairness doctrine many years ago and imposed a ton-mile tax, a weight-distance tax, or a third structure tax, whatever you want to call it. We have also just seen a study completed in our State on highway-user fees. It was commissioned by the Wyoming Legislature and conducted by the Wilbur Smith & Associates research group. It concluded that while a ton-mile tax seemed equitable in theory, in actual practice there were many drawbacks. It is so easy to evade the ton-mile tax in Wyoming, that there is perhaps 30-percent evasion. Imagine what it would be if there would be a Federal weight-distance tax levied. It is also the most costly of all taxes imposed on motor carriers to collect. Wyoming's cost of collection to the State amounts to about 20 percent of all the fees collected. That's not very cost effective in anybody's book. Compare that with our sister State of Utah who upon repeal of their weight-distance tax found that fuel tax at the pump collection costs amounted to a little over 1 percent of the taxes collected. Utah has about $18 more out of $100 to spend on highways than does Wyoming. If you add Wyoming's evasion rate to that, Utah highways get a better deal all the way around. Let's talk more about fairness for a minute. A weight distance tax in theory sounds fair. If it is evaded, all the equity accrues to the evader. The honest person must take up the slack, usually through the increased tax rate to meet the needs. That's a vicious cycle. As the rates increase, so does the evasion. A weight-distance tax creates a whole new class of lawbreakers, who always wanted to be honest law-abiding citizens but must cut corners in order to survive, and you've given them an easy way with a weight-distance tax.

Another interesting fact determined by the Wilbur Smith study is that not only did it cost Wyoming too much to collect the tax, in most instances it cost the carrier more to comply with the taxing mechanism than what he was paying in taxes. That's not very cost efficient.

We support the diesel differential. It achieves the equity you and we are seeking. It will raise the revenue. We believe the DOT's projections on what it may bring in are low. First of all, they don't know how many carriers are currently evading the Federal highway use tax. You might be surprised. Further, under the differential, the mechanism for collection is already in place. The tax is collected and paid at the time of purchase in exactly the same manner as now. It costs no more to remit 15 cents per gallon than it does to remit 12 cents per gallon. You have created no new level of bureaucracy. If you don't run, you don't buy fuel, and you don't pay taxes. I am not too concerned about Canadian trucks either. They are operating on our highways, they should be paying the taxes. Or just because they are domiciled in Canada, don't they have a responsibility for the use of that highway they are driving on? A big truck is a big truck whether it lives in Quebec or Des Moines. A big truck is a big truck whether it's owned by one man or is part of a huge transcontinental fleet. And each and every one should pay its share.

The DOT's paper says that "simple straightforward taxes that cannot be avoided easily reduce compliance costs." The weight-distance tax cannot meet any part of that statement.

Thank you for your courtesy and attention.

Senator SYMMS. Thank you for a very excellent statement. I've got a couple of questions.

I might just comment on one of the statements that you made about the five trucks or smaller, why they're deleted. I can tell you a little bit about how that happened. Some of us wanted to have all trucks included in that, and five was the largest number we could get to delay it for 1 more year. So, I agree that it's an inequity for someone who has five trucks or less; however, it would have been my choice, and I think a lot of other Senators, even though they didn't like this thing. We simply couldn't get the votes to delay this action to give people more time to be able to accommodate it and see it worked into the rate structure, if that's the way it was going to have to ultimately be paid for. It's good for those people who are coming under that umbrella, but it's not good for those, of course, who are hit by it.

Marty Sangster, managing director of the Washington Trucking Associations. Marty, it's good to have you here.

STATEMENT OF MARTIN A. SANGSTER, EXECUTIVE VICE PRESIDENT, WASHINGTON TRUCKING ASSOCIATIONS

Mr. SANGSTER. Thank you, Senator. I appreciate the opportunity of appearing today on behalf of the 1,200 member companies which comprise the Washington Trucking Associations. Those companies range in size from the one-man, one-truck operation, all the way to the largest corporate representatives of the trucking industry.

Regardless of size or substance these companies share problems, which are for the most part common problems. What benefits one generally benefits all and what penalizes one generally penalizes all.

The notice I received of this meeting states: "The purpose of the hearings is to receive testimony on the effect of standards for increased truck sizes and weights contained in the Surface Transportation Assistance Act of 1982."

Mr. Chairman, I would like to point out in this regard that the trucking operators doing business inside the State of Washington did not benefit in any way. The so-called increased truck sizes and weights contained in the STAA did not result in an increase of length, height, width, or weight beyond those which were already permitted by the

State of Washington. The STAA, therefore, did not increase the capacity of trucks within our State by so much as 1 ounce of weight or 1 cubic inch of cargo space.

There is an advantage, however, to some Washington State carriers provided they are engaged in interstate commerce in that other States will now be required to meet at least the same standards as those established in Washington State, thus facilitating the movement of goods in interstate commerce. This is particularly true in Eastern States which have had lower standards bordering in some cases on obstructionism. As these States are brought into compliance with the STAA there will be an advantage to both carriers and shippers involved in interstate commerce.

The entire benefit, however, is being jeopardized by certain States which appear bent on impeding interstate commerce by their refusal to provide a reasonable system of access roads within their States to accommodate what to them are increased sizes and weights.

The State of Washington is to be commended as should 19 other States who have taken a realistic and responsible approach to the access question and are permitting 100 percent or close to 100 percent of their roads to be used by the standards established under the STAA. The only limitations being placed on the use of roads in the State of Washington will be those roads which, due to narrow lanes, narrow bridges, or other features, might constitute a safety problem for these sized vehicles. Quite obviously, no trucking company, particularly a small company, could be expected to maintain two sizes of vehicles to accommodate double standards of permitted sizes and weights. Those States which are unduly and unjustifiably restrictive in the highways on which these standard sizes are permitted, will obviously cause limitations on the access to certain communities and therefore place undue burdens upon the citizens and businessmen of those communities.

Mr. Chairman, if these sizes and weights are not standardized, at least on the vast majority of highways within any given State, trucking companies will not be able to take advantage of these sizes, the larger sizes, in those States, because the use will be so restricted they will be unable to accommodate their customers in many towns.

Mr. Chairman, you have also requested comment on the impact of the tax structure implemented by the STAA on the trucking industry.

I have, therefore, attached a page with the No. 1 written in the upper right-hand corner which shows a "Comparison of Federal Highway Use Taxes Paid by Twelve Typical Vehicles." As you can see the standard truck and trailer will in 1985 have a Federal highway use-tax burden of nearly $5,000. This compares to a tax burden of $60 for the typical medium passenger car.

I have attached a second page, No. 2 in the upper right-hand corner, which is entitled: "State Truck Taxes and Fees." These are figures developed by the Washington State Department of Transportation in January of this year. They show a typical large truck-trailer combination of recent vintage will pay $4,885 in State taxes and fees. This, however, assumes a price of 15 cents per gallon State fuel tax. As you may know, our State tax presently stands at 16 cents per gallon and will increase to 18 cents next year. It is safe, therefore, to round this number off at a conservative $5,000 in annual taxes to the State of Washington for next year for each truck.

This compares, Mr. Chairman, to another figure developed by the State, that the typical automobile would pay $206 on that 15-cent fuel tax.

This leads one to the irrevocable conclusion that a typical truck will pay approximately $10,000 in highway-related taxes each year in Washington State as the present Federal and State laws are fully implemented.

This figure, Mr. Chairman, does not include such taxes as our State utility tax of 1.8 percent of our gross intrastate traffic nor our local city B&O taxes, property taxes assessed against our terminal buildings and lands, sales taxes, or a myriad of others.

The impact of these increased Federal and State taxes borders on calamity.

The trucking industry is undergoing convulsive period of adjustment to Federal deregulation. This ill-conceived legislation combines almost coincidentally with a severe downturn in the economy which has seen the amount of freight shipped decline by 35 percent compounded over the past 3½ years. Authoritative surveys indicate that there is a vacancy rate of 40 percent between the capacity of existing trucks to haul freight and the amount of freight available. The predatory pricing practices and the senseless self-destructive rate cutting resulting from deregulation are the manifestations of a desperation prevalent in many areas of the industry today.

We even find ourselves today supporting a diesel differential fuel tax, a tax which has historically been an anathema to the trucking industry. Yet we do in fact support it. We support the diesel differential fuel tax proposal now being considered in Congress in the form of H.R. 2124 and S. 1475. We support these bills because they are the lesser of two evils. The present weight fees are nothing more nor less than a property tax. They are paid once a year whether a person drives a truck or not. We, therefore, support the added tax on diesel fuel because it is more equitable in place of weight fees. It, at least, has the merit of being proportional to the use a person is receiving from their vehicle and hopefully, therefore, reflective of their income and profit.

Although I have not had a chance to analyze them thoroughly, the alternative taxes suggested in the DOT's preliminary report No. HPP-13 all appear to have major flaws. It have attached two additional pages No. 3 and 4, Mr. Chairman, which are quarterly statistics prepared by the accounting section of the Washington State Utilities and Transportation Commission. They reflect that in the first quarter of 1983, the profit margin or operating ratio for a selected sampling of general freight carriers was an average of 2.9 percent. Although this is an improvement from last year when the profit was zero percent it is a far cry from a reasonable profit picture and in fact demonstrates that a great number of the companies involved are losing money and continue to do so today.

Mr. Chairman, we don't need additional taxes. We need relief from present tax burdens. I would urge you to oppose the options presented by the DOT and to support the proposal made by the trucking industry.

Even though we are clearly on the ropes, Mr. Chairman, we are fighting our way back; but almost unbelievably, the FHWA is apparently attempting to place an additional administrative action on the western truck operator.

Discussions have been held in your subcommittee, Mr. Chairman, and indeed you sponsored a remedial amendment which would have permitted the continued grandfathering of weights in excess of 80,000 pounds which have been permitted in a number of States since 1956. I have attached on a page numbered "5" in the upper right-hand corner a copy of the Congressional Record containing the colloquy between former Senator Magnuson of Washington State and former Senator Bentsen from Texas. This colloquy clearly established the intent of Congress to continue the grandfathering of these weights. I would urge your subcommittee's favorable consideration of amendments to the existing law which would further clarify the intent of Congress, that within the limits of the Federal bridging formula such weights would be allowed to continue.

A discontinuance of this policy would be a severe blow to many presently operating trucking companies.

Thank you, Mr. Chairman, for the courtesy extended by you and by your subcommittee.

[The attachments to Mr. Sangster's statement follow:]

COMPARISON OF FEDERAL HIGHWAY USE TAXES
PAID BY TWELVE TYPICAL VEHICLES

	Annual Federal User Taxes Per Vehicle	
TYPICAL VEHICLES	PRESENT	1985*
1. Very Light Passenger Car 12,500 miles	$ 22	$ 43
2. Medium Passenger Car 12,500 miles	34	60
3. Heavy Passenger Car 12,500 miles	38	75
4. Pickup 5,800 miles - 5,000 lbs. GVW	33	63
5. Stake 12,000 miles - 14,000 lbs. GVW	181	122
6. Van 25,000 miles - 24,000 lbs. GVW	441	408
7. Dump 25,000 miles - 50,000 lbs. GVW	929	1,639
8. Three Axle Tractor Semitrailer 40,000 miles - 40,000 lbs. GVW	906	1,445
9. Four Axle Tractor Semitrailer 50,000 miles - 60,000 lbs. GVW	1,153	2,386
10. Five Axle Tractor Semitrailer 70,000 miles - 78,000 lbs. GVW	1,746	3,973
11. Five Axle Tractor Semitrailer 80,000 miles - 80,000 lbs. GVW	1,868	4,401
12. Truck Full Trailer 60,000 miles - 80,000 lbs. GVW	2,274	4,823

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* Per Surface Transportation Assistance Act of 1982. 1985 selected because it is first full year increased heavy use tax is in effect.

SOURCE: AMERICAN TRUCKING ASSOCIATION

STATE TRUCK TAXES AND FEES

TYPICAL LARGE TRUCK/TRAILER COMBINATION. 1981 MODEL VEHICLE; 80,000 LB. GROSS WEIGHT TRAVELS 80,000 MILES AT 4.7 MPG.

ANNUAL STATE TAXES/FEES

FUEL TAX *	$2,553
MOTOR VEHICLE EXCISE TAX **	1,293
GROSS WEIGHT FEE	1,000
REGISTRATION FEE	39
TOTAL	$4,885

* ASSUMES 15¢ PER GALLON TAX

** ONLY .2% GOES TO HIGHWAYS (FOR FERRIES); BALANCE TO GENERAL FUND AND TRANSIT.

SOURCE: WA. STATE D.O.T.

QUARTERLY STATISTICS

OF

CLASS I AND CLASS II MOTOR CARRIERS OF PROPERTY

(EXCLUSIVE OF 58 REPORTING CARRIERS)

FOR THE FIRST QUARTER AND THREE MONTHS

ENDED MARCH 31, 1983 AND 1982

PREPARED BY THE ACCOUNTING SECTION
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

June, 1983

REVENUES, EXPENSES, NET INCOME AND OPERATING RATIO
THREE MONTHS ENDING MARCH 31, 1983
SCHEDULED LINE-HAUL GENERAL FREIGHT CARRIERS - LOCAL, STATEWIDE & LARGE INTERSTATE
13 CARRIERS INCLUDED

NAME OF CARRIER	CC NO.	PRINCIPAL AREA	REVENUES	EXPENSES	NET OPERATING INCOME (BEFORE INCOME TAXES)	OPERATING RATIO (EXCLUSIVE OF INCOME TAXES) YEAR TO DATE	
						THIS YEAR	LAST YEAR
CONSOLIDATED FREIGHTWAYS CORP. OF DELAWARE	6	NATIONWIDE	$261,447,629	$246,732,292	$14,715,337	94.4	97.3
LYNDEN TRANSPORT, INC.	634	WASHINGTON-ALASKA	12,899,334	12,217,810	681,524	94.7	89.6
HOGLAND TRANSFER CO.	25	SEATTLE-EVERETT	439,541	422,123	17,418	96.0	105.8
WALLACE-COLVILLE MOTOR FRT., INC.	530	WASHINGTON-IDAHO	868,120	837,376	30,744	96.5	103.5
AVERAGE FOR THE GROUP						97.1	100.0
COLUMBIA RIVER TRUCK CO., INC.	2853	WASHINGTON-OREGON	308,375	301,158	7,217	97.7	96.7
SILVER EAGLE CO.	179	WASHINGTON-OREGON	5,156,111	5,083,166	72,945	98.6	103.3
PENINSULA TRUCK LINES, INC.	1971	OLYMPIC PENINSULA	1,321,029	1,303,062	17,967	98.6	107.3
OAK HARBOR FREIGHT LINES, INC.	3718	SEATTLE-OLYMPIC PENINSULA	1,308,525	1,302,260	6,265	99.5	98.5
SOUTHWEST DELIVERY CO., INC.	4142	PORTLAND-SEATTLE	1,471,936	1,481,894	(9,958)	100.7	99.6
ACME-INTERCITY FREIGHT LINES	4098	PUGET SOUND	858,061	866,709	(8,648)	101.0	105.2
PACIFIC INTERMOUNTAIN EXPRESS	11382	NATIONWIDE	89,920,196	92,639,429	(2,719,233)	103.0	107.7
BEST WAY MOTOR FREIGHT, INC.	3391	SEATTLE-SPOKANE	1,568,198	1,636,112	(67,914)	104.3	110.2
WM TRANSPORT., INC.	8088	WESTERN & CENTRAL STATES	16,363,596	17,659,115	(1,295,519)	107.9	105.1
TOTAL FOR THE GROUP			$393,970,651	$382,522,506	$11,448,145		

The PRESIDING OFFICER. The Senator from Texas is recognized.

Mr. BENTSEN. Mr. President, the distinguished Senator from Washington (Mr. MAGNUSON) has been seeking recognition. I yield to him.

Mr. MAGNUSON. Mr. President, I merely wanted to ask the manager of the bill a question which I think would clarify some portions of the legislation before us.

As the distinguished chairman knows, at the present time in full conformity with the Federal Highway Act of 1956, as interpreted by the Federal Highway Administration, many States, including my own, now authorize weight limits and dimensions of the Federal interstate highway system that in some respects exceed those provided in this bill.

In view of these facts, my question is as follows:

Is it the intent of the committee that the provisions of this act would in any way lower the gross weights or dimensions that the States presently may legally authorize by law or special permits on the Federal interstate system of highways?

Mr. BENTSEN. The Senator from Texas would say to the Senator from Washington that the bill in no way changes the grandfather clause of the 1956 act, and does not lower any of the limits.

To answer the question specifically, it is not the intent of the committee that this bill would in any way lower the gross weights or dimensions that the States now legally authorize or would legally authorize by statute or special permit in the Federal interstate system of highways.

I would call to the Senator's attention that the distinguished Senator from Idaho says he may propose an amendment.

Mr. MAGNUSON. I understand.

Mr. BENTSEN. If this amendment should carry, then he may propose an amendment to lower the limits in the States which now have them in excess of that.

Mr. STAFFORD. Mr. President, if the Senator will yield very briefly, the amendment offered by the Senator from Vermont would not affect States now grandfathered in. So neither the amendment nor the bill would have any effect.

Mr. MAGNUSON. I thank the Senator for that distinction.

I ask unanimous consent to have printed in the RECORD various material with respect to permissible truck weights on Interstate Highways.

Senator SYMMS. Thank you, very much, for your excellent statement.

I might just say for the record that Senator Bentsen is the ranking minority member of this subcommittee. I appreciate having that colloquy. I'm sure we'll have his continued support to try to extend that operating procedure. You mentioned that the trucking industry is fighting their way back. Is the trucking industry in your State still in a nonprofitable position, or are some of the trucking companies actually in a profit position?

Mr. SANGSTER. Some of the trucking companies have always been in a profit position. There was a period when, I believe it could safely be said, that the majority were losing money, or operating marginally in Washington State. As an example, we have a great number of members who are log truckers. These are—99 percent of them would be single-truck operations. We had at one time about 550 log truck members. We lost about half of those as members of our association. When we lose a member in that category, it's—believe me—the last thing they give up, because their personal insurance is carried through it, their truck insurance is carried through it, their health and welfare is carried through it. They give up a great deal when they lose that membership. The banks would not repossess log trucks, because they didn't know what to do with them. They had so many log trucks, they didn't need any more. They permitted the log truckers to keep their trucks in hopes that they would get a job and be able to make payments in the future. The reason I say things are looking better, is it really is an attitude. For a long period of time, the members of industry were so depressed and beaten down that I don't think anything in the way of bad news would have shocked them.

But it was noticeable, particularly at our last convention, that there was a spirit developing, an optimism developing. Most of them have found some way to adjust their operation. They are getting additional jobs. There is additional business. I think that applies not just to the trucking industry, but to all businesses: That there is a more favorable outlook, and people are inclined to spend money, to make the purchases that they have been holding back on, perhaps. In general, things are just more favorable.

Senator SYMMS. How about in Wyoming?

Mr. MEREDITH. Well, I think our carriers are still really in a depressed situation. Wyoming-based carriers depend largely on mining and oil production. Almost all the uranium mines are shut down, so that deprived us of that source of business. And coal mining is a low percentage of what it was estimated to be. However, in the oil industry, we had 246 rigs drilling in Wyoming in 1981. That dropped down earlier this year to something like 54, which is virtually nothing.

Senator SYMMS. You had how many?

Mr. MEREDITH. 246 in 1981, and then we went down to 54. I believe we're now in the low 90's, which begins to show some improvement, particularly since a lot of those truckers in 1981 are no longer there. We do depend almost 100 percent on the energy industry for our product.

Senator SYMMS. With respect to Washington State where you have, say, 100 million boxes of apples to ship out, how many of those go out by truck?

Mr. SANGSTER. I'm sorry, Senator, I don't have an answer.

Senator SYMMS. At least half of them?

Mr. SANGSTER. I beg your pardon?

Senator SYMMS. At least half of them?

Mr. SANGSTER. I'm sorry, I just don't have any idea. I'm not familiar with the apple business. I don't know what percentage is carried by what mode. I'd be happy to look into that.

Senator SYMMS. Well, we find that some of the fresh produce is what you call unexempted commodities, and the rates are cutthroat in that right now. So, some of the people in that industry, who complain they can't get trucks, are the same ones who are real sharp with the pencil in paying freight rates. I just wonder, what is the freight rate from Yakima to Los Angeles, do you know?

Mr. SANGSTER. For trucks? No, sir, I do not.

Senator SYMMS. Your association doesn't carry a lot of those?

Mr. SANGSTER. We don't handle rates in any way. The rates are handled by the Pacific Inland Tariff Bureau. It's a separate organization completely separate from the association. And we do not involve ourselves in that.

Senator SYMMS. Another question that I wanted to come back to. Larry, you brought it up in your statement, that 69 cents of every highway tax dollar comes from the motor carrier industry. That's the highest number I've ever heard. Do you think that's pretty close?

Mr. MEREDITH. I think it is. I don't have those statistics here, but that comes out of the Bureau of Public Roads' report each year. We've consistently run 67 cents.

Senator SYMMS. Of all the highway dollars for the State of Wyoming?

Mr. MEREDITH. Yes. One hundred five percent of the highway construction money comes from the trucking industry, but when you put the administration and so forth in there, then 69 percent.

Senator SYMMS. Do you think that's about close in Washington State?

Mr. SANGSTER. I think it's a little bit high for Washington.

Senator SYMMS. I think a lot of us don't believe that the DOT study is biblical, or as Senator Wallop referred to it, it's certainly not biblical in his opinion when we were discussing that last December. I share that argument, but the DOT study indicated that the trucks pay about 20 percent of the cost of the Interstate System. Now, that may be different from the rest of the highway system. But they have paid 20 percent of it, and doing a little more damage than 20 percent. The effort was made by the administration to raise the heavy truck taxes, through the Department of Transportation, up to 33 percent of the total cost of highway maintenance and construction. When you mention 69 percent, I was surprised to hear that number.

Mr. MEREDITH. That's both State and Federal, and that's all highway money. And, of course, I think Wyoming has always been among the top 4 percent, because they have a low population—we have a high truck population. I think the national average is one truck per every 15 people. And in Wyoming it is one truck for every five people. You see almost as many trucks on the highway in Wyoming as you do cars.

Senator SYMMS. I know it's a big trucking State. It's very important.

What do you think your trucks in your association average in miles?

Mr. **Meredith**. Very low. Particularly highway miles. You see, we spend an awful lot of off-highway miles where, again, the fuel tax comes in. If you've got a fuel tax, you pay it wherever you run because it's in the tank. In our State taxing system, which is a 10-mile tax, we only pay on designated highways. If a person goes 20 miles out of town that's a heavy oil field town, and he goes 20 miles out, and then he turns off and he's out in the hills in the oil rigs all day long, he doesn't pay that tax.

Senator **Symms**. What about your trucks in Washington State? What's the average?

Mr. **Sangster**. I would guess 65,000 to 70,000.

Senator **Symms**. Well, you both testified that you favored, as a last resort, shifting this tax over to the fuel tax. There's another proposal, the one that actually passed the Senate last year, had a maximum tax on the heaviest truck of $1,200 for users' fees.

Senator Boschwitz has reintroduced that bill this year. It raises less revenue, I believe, than the Wallop bill, which puts it all on the 5-cents-a-gallon differential between diesel and gasoline. But you still favor the Wallop proposal over the Boschwitz proposal?

Mr. **Meredith**. Yes.

Mr. **Sangster**. Yes.

Mr. **Meredith**. The Boschwitz proposal, you know, was a little better and, again, grasping an improvement. But that would be pretty tough on an oil-field type carrier and also an agricultural carrier who has to have the same size truck, but he can't run it very many miles a year.

Senator **Symms**. What would your advice be to me and to my colleagues, if we get down to where the Congress is prepared to shift the tax burden over to a diesel-gasoline differential and put the tax on the spread and remove the users' fee completely? Suppose they say you have to go up to 7 cents a gallon, would you still prefer that?

Mr. **Meredith**. I would. Excuse me. It's been my understanding there would still be a users' fee in there, something like $222. We now pay $220, $240. If that was removed, then we could go to a higher fuel tax. I recognized when Senator Wallop introduced S. 1475, he said that the legislative process could be amended to meet the needs, and I took that as a message that we could expect some increases to be amended.

Senator **Symms**. I think the testimony yesterday in Boise, certainly indicated to me that if the numbers that were presented yesterday could be verified by the Joint Tax Committee, we might be able to do it with 5 cents a gallon, because of better collection, less evasion—just a broader tax base so to speak—everybody paying a little bit, or a lot, however your interpretation of it is, for the cost of these highways. That it might be that it wouldn't be necessary to go to 7 cents. It could be possible to have 5 cents in the bill and see how much money it raised. If it wasn't adequate to keep up with the spending formula for the highways, that it could be raised later. That might be a wise way to go.

Mr. **Meredith**. I think we would be pleasantly surprised at what 5 cents could raise. You can't evade a fuel tax. You have to pay it somewhere. You either pay it in Wyoming, Montana, or Colorado.

Senator Symms. You've got some members, I'm sure, from fuel dealers. What do they tell you about how far you can go with the differential between gas and diesel?

Mr. Meredith. In order to get the diesel fuel though, they would have to be licensed as a dealer. Any time you store fuel, then you have the same responsibility of reporting the purchase from a refinery as the service station would. You have to pay the tax on it.

Senator Symms. Well, the people I talked to in the industry say that's no problem. They say they don't like collecting it, they say, but that's the easiest way to get it from the standpoint of the highway program.

Mr. Sangster. Senator, I'm sure that you have heard figures. I've heard two or three different ones on the percentage of truckers that evade the weight fee or the use tax fee. I've heard figures as high as 40 percent. So, when Mr. Meredith says—I think he says that the Federal Government would be pleasantly surprised by the amount of money that would be raised by a diesel differential tax, rather than this use tax. I really think your suggestion that 5 cents first is an excellent one, and cutting back on this use tax, because it's not generating nearly the amount that it should generate. Because people are evading it just as a matter of standard practice. I know in conversations with some of my people.

Senator Symms. I would hate to end up in a situation where we lowered the use tax back from the high levels that exist in the present law, which are $600 or $700 per truck higher than the Senate version of the bill was; if we end up cutting back to, say, a $700 or $800 use tax and then getting a 5-cent spread, you would be worse off in my judgment. We need to either go back to the present law at a minimum if there's going to be a 5-cent spread, or maybe, work the proposition that comes to my mind; that is, that we go to 5 cents, and then see. If you can demonstrate in actuality what the revenue is, then we don't have to open up the formulas.

There was a lot of blood, sweat, and tears spent over those formulas, so, the States like Wyoming and Idaho—in particular, I think Washington State is actually one that comes out about the same on both the House formula and the Senate formula. But in the case of Wyoming, Idaho, Utah, New Mexico, and Montana, the difference was like 30 percent, or more. The House version ended up with Idaho paying 5 cents a gallon extra in gas taxes and fuel taxes and getting back the same amounts of money we're getting under the old system. So, of course, we didn't have any idea that we would support a proposition like that, and got that changed in the Senate.

I had another question I did want to ask. One of you mentioned the trust fund. I can only say I share your concern about the trust fund, and we have substantially raised those numbers so that at the projected level of what we were spending, even prior to the passage of that bill, the trust fund would have been drained by 1985, I think it was. But I think that's a continual fight. I'm happy to hear you say that, because I think that's something that Congress needs to be constantly reminded of. The Office of Management and Budget historically has tried to use the Federal highway trust fund to help make the budget look better. And that's happened through Republican and Democratic administrations. It doesn't seem to matter. It started when Johnson was President, and it's been consistent ever since. Every OMB Director has tried to squeeze an extra billion dollars out of the trust fund to help balance the Federal budget, and I think it certainly should be changed.

Mr. Meredith. I don't have the current figures on it. I think when we were debating this, the Surface Transportation Act, it was about $11 billion.

Senator Symms. I think that's right. If you look at the budget that passed for the preceding Congress, we had a program of around an $8 billion level that we'd have spent out by 1985. It would be down to zero. By law it cannot go into debt. It's too bad the rest of the budget isn't that way, the country would be a lot better off.

Well, I thank you very much.

I wanted to ask Claude Able if I could, Claude, do you have the figure for Idaho similar to what Larry said, 69 percent for Wyoming. You said it's a little lower than that in Washington State.

Mr. Sangster. I think 49 percent. That's the number that comes to mind.

Mr. Able. Mr. Chairman, the last figures I saw, and these figures, of course, are put together by the research department of the American Trucking Association, about 60 percent of Idaho highway funds are obtained through truck taxes.

Senator Symms. Sixty percent of all highway dollars?

Mr. Able. That's right. The three highest States in comparison were, Wyoming, Montana, Idaho, and I think Nevada was fourth. It was one of the highest in the Nation.

Senator Symms. Thank you.

Mr. Sangster. Senator, could I just clarify. On our particular taxing system, we have a diversion in actuality of highway generated money that goes to the general fund in our motor vehicle excise tax. It's 2.2 percent of the value of the motor vehicle, the market value. And it's been updated, so it's right up to what you would sell it for today. There are surcharges on that, and I think it's up, actually, now to 2.5, or something of that sort, because of the tax crunch in Washington State. But that money, with exception of two-tenths percent, goes to the general fund. Two-tenths is earmarked for the ferry system; therefore, although it's highway generated money, motor vehicle generated money, virtually none of it goes to highways. So, it's like $200 and some odd a year in motor vehicle excise taxes on trucks and automobiles that go into the general fund. It was originally an in lieu property tax. And even there, the most that should go should be 1 percent of our constitutional limitations. But somehow these things happen, and it continues to build and continues to flow into the general fund. So, we should really have a minimum of $100 million of that per year that should be brought back into the highway trust fund, but it's pretty difficult to do.

Senator Symms. Thank you, very much.

Mr. Meredith. Thank you.

Mr. Sangster. Thank you, Senator.

Senator Symms. The next witness is Kenneth Heald. Incidentally, did Brad Littlefield show up?

Mr. **Able**. Not yet, Mr. Chairman.

Senator **Symms**. We'll get him later. We'll go ahead with Kenneth Heald, chief engineer of the Western Highway Institute.

Ken, your entire statement and addendum will be made part of our record. Maybe some of those graphs will have to be part of the file. I'm not sure if we can put them into the record or not.

STATEMENT OF KENNETH HEALD, CHIEF ENGINEER, WESTERN HIGHWAY INSTITUTE

Mr. **Heald**. Senator Symms, members of the subcommittee, and staff persons, my name is Kenneth Heald. I am chief engineer of Western Highway Institute, and I appreciate the opportunity to once again testify before this committee concerning Federal legislative impacts on the Western trucking industry.

Since WHI is neither a policymaking nor a lobbying organization, my remarks are based strictly on our extensive research and experience concerning the role of truck transportation in the Western environment.

Copies of my presentation graphics have been assembled as an attachment so that the points illustrated may be easily referenced. It is at the back. It may be wise to follow along as I go. My presentation will address only two of the issues indicated as the focus of this committee hearing. First, the productivity gains reportedly experienced by the trucking industry as a result of the provision of the 1982 STAA and; second, the effect of truck sizes and weights on road conditions as presently translated into taxable responsibility by the U.S. DOT and the 1982 STAA. Consider first the concept of increased productivity.

One commendable point of the STAA was the Federal recognition that the interstate movement of goods is severely constrained when controlled and limited by the lowest of the State-determined size and weight standards.

Exhibit 1 of my presentation graphics portrays the STAA compliance changes required of the various States as listed with respect to U.S. regional orientation. As shown, only three States were required to make changes of any significance relative the allowable weight. None of these are Western States. Only 13 jurisdictions were asked to allow double trailer vehicle configurations already in use in 38 other States, including all of the Western States. Exhibit 1 points to the fact that the Western States have historically taken the U.S. lead in identifying and authorizing the use of more productive trucks while continuing to protect the public infrastructure investment in highways. The new STAA standards are for the most part "old hat" in the West.

I call your attention now to the upper portion of exhibit 2.

Senator **Symms**. May I ask a question on exhibit 1 before we go off of it?

Mr. **Heald**. Sure.

Senator **Symms**. Even though there are only three States, how much traffic goes through those three States that allow them to take the extra 8,000 pounds?

Mr. **Heald**. As I recall, approximatey 7 percent of the trucking operations in the United States will involve those States.

Senator SYMMS. Seven percent?

Mr. HEALD. Approximately 7 percent. The vast majority, as both these trucking managers testified, of all trucking operations are intrastate. And even the interstate operations are largely regional, except for the limited transcontinental markets.

Senator SYMMS. Thank you.

Mr. HEALD. I call your attention now to the upper portion of exhibit 2. The typical pre-STAA 45-foot semitrailer is used as the base of reference in this illustration and is shown with 100 percent payload and 100 percent cubic haul capacity. Note that given the STAA authorization of a longer, wider trailer with no additional gross weight, payload capacity is actually reduced due to the increased empty weight of the unit. The STAA gain for this unit all comes in cubic capacity, yet this only at the expense of a considerable investment in new equipment.

The five-axle doubles data indicate that even before STAA the efficient use of these units focused on lower density freight and increased cube. The maximum payload potential for the doubles was actually only 94 percent of that allowed for the single trailer unit due to the additional empty weight of the equipment. The doubles advantage is seen in the pre-STAA situation as a 21-percent cubic capacity gain. STAA further promotes the doubles emphasis on high cube, low density freight transportation. Although doubles are not well suited for many commodity transport situations, even this gain largely presupposes the acquisition and use of new equipment.

The lower portion of exhibit 2 shows the dimensional changes mandated for nationwide use on at least some designated portions of the highway system. The references in exhibit 2 are in terms of potential maximums for combination gross weight, payload, and cube. You should be cautioned to recognize that it is seldom possible for a truck operator to fully utilize these maximums.

Only rarely can a five-axle combination, either truck tractor-semi or doubles, actually achieve an 80,000 pound gross load while meeting every test for legal load. You might also be surprised to learn that as many as 2.5 percent of the heavy duty truck-tractor semitrailer combinations may be operating at weights in excess of 80,000 pounds. Both of these circumstances are portrayed in exhibit 3, this comes from the Federal highway cost allocation study.

Some of the heavy units indicated in exhibit 3 are undoubtedly illegal; however, loadings in excess of 80,000 pounds are in fact legal for these units in a number of States on non-interstate highways and extra-legal permits are normally available for purchase to accommodate large nondivisible loads. Even so, the greater data significance of exhibit 3 is found among the lower operational weights. Note that these units are reportedly all registered at 75,000 pounds or more. Yet of these 1 out of every 2 units operated at gross weights less the 65,000 pounds and 6 out of every 7 had operational weights recorded at less than 75,000 pounds. Stated differently, these data suggest that only 1 out of every 7 trucks of this type might be a potential candidate for heavier loading even if the weight limits had been raised.

So much for productivity. Under STAA payload productivity is gain only if transport operations involve one of three central region

States. And transportation with lower density and high-bulk freight is potentially enhanced but only at the expense of a considerable investment in new or rebuilt equipment.

Western productivity is only peripherally addressed by STAA. Only the truck network study and a somewhat broader grandfather clause interpretation offer any hope of Western improvements. While longer combinations with more axles to distribute the load may not be relevant in other parts of the United States, they have a demonstrated viability in the Western economy and given greater freedom for regional control, these Western combinations could contribute substantially more.

My testimony to this point has shown that the principle thrust of the STAA productivity provisions is volumetric: More cube, no weight, little change in actual roadway and bridge effects, regardless of how these might be measured.

The last portion of my testimony deals with the size and weight effects on road conditions as implied by the taxation schedules built into the Surface Transportation Assistance Act. My testimony before this committee in August 1982 recommended a good hard look at the foundational weaknesses of the new Federal highway cost allocation methodology, particularly, as it relates to pavement construction and pavement rehabilitation. Considering the circumstances surrounding the passage of the STAA, it is apparent that little stock was placed in either validating or invalidating the concerns presented.

As I indicated in last year's testimony, the problem with the FHCAS methodology appears to stem from the economics presumption that a crude engineering yardstick developed for use in the process of pavement thickness design can be adapted for use as a micrometer in the measurement of vehicular pavement cost responsibility. Regardless of U.S. DOT denials and references to sophisticated models, both the new pavement and rehabilitated pavement cost attributions of the FHCAS ultimately hinge on the capability and reliability of AASHO road test results to predict actual in-service, mixed traffic, real world pavement life. This is illustrated in exhibit 4, which portrays the results of several of the many possible alternative methods for the attribution of rehabilitated pavement costs.

It can be seen from exhibit 4 that vast differences in assigned cost responsibility can be attributed strictly to methodology. For example, the updated 15-step incremental is an extremely liberal interpretation of the incremental methodology, yet it produced a considerably different passenger vehicle responsibility share when compared to the newly developed, recommended method.

Column 3 was included by DOT to show the results if 30 percent of the costs are initially relocated, presumably on the basis of relative use, and the remaining 70 percent distributed on the basis of the road test equation. The column 3 results with the 30-percent safety factor appear amazingly similar to those of the recommended method. Exhibit 4 shows that differences in cost allocation methodology do, in fact, yield significantly different results and that the DOT pavement consumption methodology relies heavily on the predictive accuracy of the AASHO road test equations.

Now, looking closer at these road test equations, please refer now to exhibit 5. This graph comes directly from the road test equation for estimating the thickness of rigid or concrete pavement required to accommodate increasingly large numbers of 18,000-pound, single axle loadings.

The heavy line in the cross-hatched area between the two dashed curves depicts the results of this particular road test equation. Now, for example, if you locate the number six on the axle loads axis along the bottom, follow the sixth line vertically up to its intersection with the solid curved line, and then horizontally left to the thickness axis, you see that the need for approximately 8 inches of Portland cement concrete is indicated.

The road test results were, in fact, quite variable. The range of variability is indicated by the curved dashed lines labeled "90 percent confidence limits." These lines indicate that 90 percent of the time the actual observed road test results could be expected to fall within the band indicated. What, then, does this say about the 8-inch pavement? Following the 8-inch line on the vertical axis, back horizontally to the two dashed curves; and then down to the bottom, it says that the 8-inch pavement should accommodate at least 3 million, but perhaps more than 13 million, axle load applications before it depreciates badly, quite a deviation from the formula projections.

Now, engineers are typically conservative when it comes to design, and almost invariably some additional factor of safety is built into the design procedures. In this case, the curve labeled "AASHTO interim guide" incorporates the safety factor adopted. Now, if we use the 6-million axle load application example, follow it up to the AASHTO interim guide, the AASHTO design manual, says to plan on providing approximately 9½ inches of pavement in order to insure that the 8-inch road test strength is met. Note, however, this safety factor deals only with load effect variability, and still fails to address the environmental impacts.

The question, then, is how can the road test equations be utilized to allocate the "occasioned" cost of a pavement that should, in fact, accommodate nearly 22 million axle load applications according to the formula but whose construction is triggered by a 6-million application design load? Further, if wearout costs are recovered assuming 6 million applications, vastly too much has been paid for the "occasioned" costs indicated by the Federal highway cost allocation study.

I would submit to you that the use of the AASHO road test relationships to project useful pavement life and thereby control the allocation of pavement costs on a pavement consumption basis is an uncharted theoretical course fraught with significant potential for error. In the early 1960's, a 10- to 20-year AASHO followup test project was proposed by the road test engineers to document the relationship between road test projections and real life experience. This project, the pavement long-term monitoring program, was finally initiated as a part of the Federal highway cost allocation study. In the meantime, taxes predicated on unsupported theory, will have real-world consequences.

In summary, the trucking productivity gains provided by STAA are, in fact, relatively minor for the majority of the trucking operators. Yet the tax schedules built into the STAA severely penalize the movement of freight by truck.

If we were to assume that the road users' tax pie has already been used up by the STAA, a U.S. DOT taxational alternative study which deals only with how the pie is to be eaten, can hardly be expected to generate much technical research and enthusiasm. However, even though that significant portion of the users' tax pie, labeled "trucking responsibility," is clearly marked by STAA, it has, in fact, not yet been sliced since the taxes of concern have not yet taken effect. The time for reconsideration appears to be approaching.

I would be pleased to answer any questions concerning my testimony.

[The attachments to Mr. Heald's statement follow:]

EXHIBIT 1

Changes in State Size & Weight Limits Mandated by 1982 Surface Transportation Assistance Act

State	Weight Elements			Configuration	Volume Elements		
					Length (Ft)		Width (In)
	Single Axle	Tandem Axle	GVW		Dble Trs	ST*	
	(Lb)	(Lb)	(Lb)				
Northeastern Region							
Maine				MD[1/]		+3	LC[2/]
New Hampshire				MD		+3	LC
Vermont				MD			LC
Massachusetts				MD		+3	LC
Rhode Island				MD			-
Connecticut				MD			-
New York						(+3)	+6
New Jersey					+10		+6
Pennsylvania				MD			LC
Southeastern Region							
Delaware							+6
Maryland							+6
Dist. of Columbia				MD			+6
Virginia				MD			+6
West Virginia				MD			+6
North Carolina			+ 200	MD			+6
South Carolina				MD			+6
Georgia					+10	+3	+6
Florida							+6
East Central Region							
Ohio						+3	+6
Indiana							+6
Illinois	+2,000	+2,000	+6,720				LC
Michigan							+6
Wisconsin							+6
Kentucky							+6
Tennessee						+1	+6
Alabama				MD			+6
Mississippi					+ 5		+6
West Central Region							
Minnesota						KP[3/]	+6
Iowa						KP	+6
Missouri	+2,000	+2,000	+6,720				+6
Arkansas	+2,000	+2,000	+6,720				+6
Louisiana							+6
North Dakota							LC[2/]
South Dakota							+6
Nebraska							+6
Kansas							+6
Oklahoma							LC
Texas							+6
Western Region							
Montana							LC
Idaho							LC
Wyoming							LC
Colorado							LC
New Mexico							LC
Arizona							+6
Nevada							LC
Utah						+3	+6
Washington						+3	LC
Oregon							+6
California						KP	+2
Alaska						+3	+6
Hawaii						+3	-
Total Jurisdictions Affected	30			13	16	14	48
Western States Affected	0			0	0	5	12

* ST = Semitrailer
1/ MD = Mandate Doubles
2/ LC = 102" now permitted under limited conditions
3/ KP = Kingpin Restriction

EXHIBIT 2

Configuration Comparison of Maximum Freight Potential

(Using Pre-STAA TTST as Base)

Configuration[1]		Pre-STAA	STAA
Tractor-Semi:	Payload	100%	98%
	Cube	100%	114%
5-Axle Doubles:	Payload	94%	93%
	Cube	121%	134%

STAA Productivity Comparisons

Combinations Considered[1]	Common Pre-STAA	STAA Authorized Minimum	% Change
1. Tractor-Semi, 5-Axle			
Trailer Length	45'	48'	6.7%
Trailer Width	96"	102"	6.2%
Potential Max. GCW	80,000#	80,000#	zero
Potential Max. Payload	54,000#	53,000#	<1.9%>
Max. Cube	2,975 ft.[3]	3,385 ft.[3]	13.8%
2. 5-Axle Doubles			
Trailer Length	27'-27'	28'-28'	3.7%
Trailer Width	96"	102"	6.2%
Potential Max. GCW	80,000#	80,000#	zero
Potential Max. Payload	51,000#	50,400#	<1.2%>
Max. Cube	3,600 ft.[3]	3,980 ft.[3]	10.6%

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[1] Van configuration used for illustration

EXHIBIT 3

TYPICAL OPERATING WEIGHT DISTRIBUTION[1]

Truck Tractor Semi-Trailer Combinations
With
Registered Gross Weight - 75,000 lbs. or More

Operating Weight (lbs.)	Percent of Units	Cumulative %
20,000 - 24,999	1.3	1.3
25,000 - 29,999	10.1	11.4
30,000 - 34,999	9.2	20.6
35,000 - 39,999	4.8	25.4
40,000 - 44,999	4.1	29.5
45,000 - 49,999	4.4	33.9
50,000 - 54,999	4.7	38.6
55,000 - 59,999	5.5	44.1
→ 60,000 - 64,999	6.5	50.6 ← 1 out of 2
65,000 - 69,999	12.0	62.6
→ 70,000 - 74,999	21.9	84.5 ← 6 out of 7
→ 75,000 - 79,999	13.1	97.6 ← 98 out of 100
80,000 - 84,999	1.9	99.5
85,000 - 89,999	.4	99.9
90,000 - 94,999	-	99.9
95,000 - 99,999	.1	100.0
	100.0	

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[1] Final Report on the Federal Highway Cost Allocation Study, p. IV-41

EXHIBIT 4

Table D-4

Comparison of Rehabilitated Pavement Assignment Methods

(1985: Percentage of Costs Assigned to Each Vehicle Class)

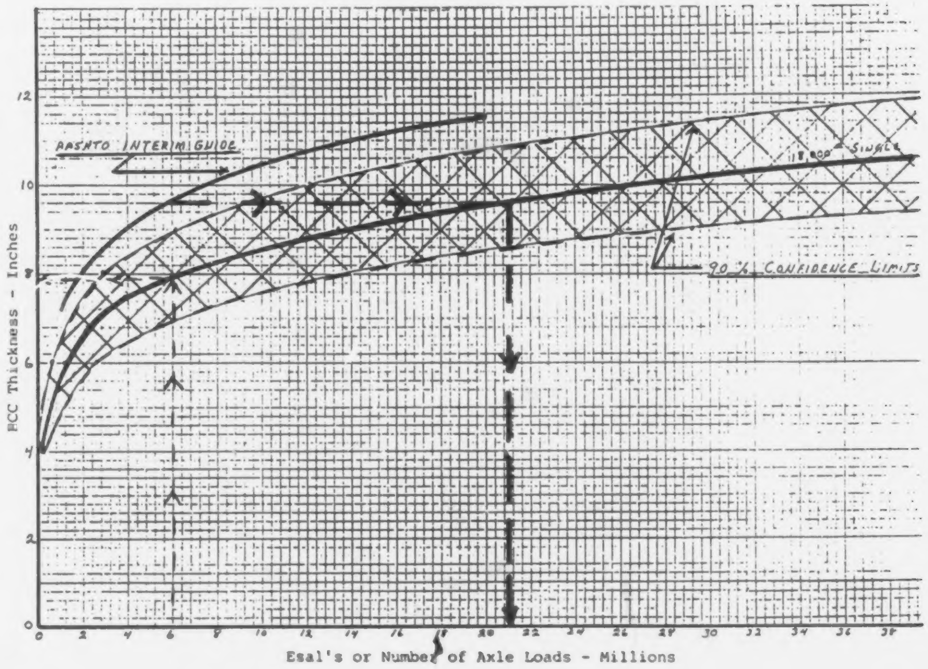
Vehicle Class:	Newly-Developed Relationships (Recommended)	Road Test Equations for 100% of Costs	Road Test Equations for 70% of costs	Updated (15-Step) Incremental
Passenger Vehicles	30.29	7.66	31.21	59.75
Autos	15.40	0.84	17.47	29.22
Large	10.16	0.79	10.69	19.05
Small	5.23	0.05	6.78	10.17
Motorcycles	0.11	0.00	0.23	0.12
Pick-ups and Vans	12.51	2.89	10.58	28.87
Buses	2.27	3.92	2.93	1.54
Intercity	0.45	0.79	0.59	0.32
Other	1.82	3.13	2.34	1.22
Trucks	69.71	92.34	68.79	40.25
Single Unit	11.88	15.78	12.79	11.53
Under 26 Kips	4.14	4.89	4.52	6.71
Over 26 Kips	7.73	10.89	8.27	4.83
Combinations	57.84	76.56	56.00	28.72
Under 50 Kips	4.35	5.68	4.31	3.46
50 - 70 Kips	8.29	11.48	8.51	5.45
70 - 75 Kips	15.78	20.88	15.30	8.64
Over 75 Kips	29.42	38.53	27.88	11.17
All Vehicles	100.03	100.00	100.00	100.00

EXHIBIT 5

ILLUSTRATION OF PAVEMENT CONSUMPTION BIAS

Direct Solution of AASHO Road Test Rigid Pavement Equation

18,000# Single Axle Load Curve, Pt.=2.5



Western Highway Institute, July 1983

Senator **Symms**. Thank you, very much for an excellent statement. In a nutshell what you're saying is, some of the roads that are constructed with heavy concrete depths and for heavy stress are not lasting. Did we spend more money on the construction than necessary for the length of time they last?

Mr. **Heald**. That's a matter of economics, a decision about how long we should invest in to produce the pavement of equivalent strength. Actually, what I'm saying is, that our pavement design methodology will accept a lot more application than what's being admitted to.

Senator **Symms**. I've always been a believer that trucks get a bad rap on the highways, but how do you explain to people, if you drive down the freeway, and the right lane, where most of the truck traffic is—of course, most of the car traffic, too, I suppose—is worn out and the left lane is it not, how do you explain that?

Mr. **Heald**. The explanation is relatively simple. It's an engineering explanation. The thing that you're designing for is the strength of the maximum design vehicle, essentially. When the design vehicle wears out the pavement, it's worn out. In this case it's kind of like an elevator: You design an elevator to carry, say, a 5,000-pound maximum load. If you run that elevator up and down with 120 pounds, you don't get much wear on it. It's only when you start running consistently with the 5,000-pound loads, that the elevator actually wears out.

It's the same with pavements. They're designed for the heavy weight of the truck with the idea that the heavy trucks will be the vehicles that demonstrate most of the wear that will be incurring. The lightweight vehicles do not have much of an impact on heavy strength pavements designed to support trucks. Conversely, if the road systems were built to the lightweight standards to support only passenger cars, those pavements would wear out, theoretically, in the same timeframe as designed for the heavy trucks. What you see in the left lane is the fact that the pavement is designed for a truck, but it doesn't have very much truck traffic on it. And the passenger cars do not wear it out.

Senator **Symms**. Well, then should we be building our highways heavier on the right lane and lighter on the left lane? Some States are telling the trucks to run in the left lane, I notice.

Mr. **Heald**. Essentially, they're deciding that they would like to wear out that pavement that was designed for trucks, but were not utilized.

Senator **Symms**. Before they rebuild it?

Mr. **Heald**. Yes. Even since the AASHTO road test—if you go to the Transportation Research Board meetings, one-third of those week-long meetings are still related to pavement research. There have been a number of studies, even in recent years, that the FHWA is questioning whether or not we shouldn't be building our highways even stronger. It would be cost-effective to build for a longer life than 20 years, because the small increments of additional strength that you build into highway pavements, are extremely effective with respect to the longer life and more axle—more heavier repetition.

Senator **Symms**. In other words, a couple inches of concrete may be the cheapest buy in town?

Mr. **Heald**. Absolutely. Would have been.

Senator **Symms**. Would have been.

Mr. **Heald**. Not anymore. Not when you go back and start over.

Senator **Symms**. What about the testimony that was just presented by the State of Washington. He had some excellent examples here. It says here, that a van travels 25,000 miles, 24,000 pound weight, is actually going to be paying less taxes in 1985 than it pays at the present time. How do you feel about the way the act ended up distributing the weight in terms of equity? Should we be charging these other people more? The heavy trucks less?

Mr. **Heald**. Well, the whole structure associated with the vehicle gross weight presumes some kind of a theoretical axle load distribution. If your axle loads on your light vehicles are as heavy as the axle loads—they can be, and frequently are as heavy as the axle loads on the heavy vehicles. It's just heavy vehicles have more of them—so in essence, the light vehicles frequently do as much damage, or more damage, to the pavement than the heavier loads. Particularly in the case of the Western combination, where the extra length yields lighter axles than would be observable under a typical tractor semi.

Senator **Symms**. What do you think would be the best, most equitable way to finance highways? An axle tax? A fuel tax? A users' tax? Toll roads?

Mr. **Heald**. A number of Western States have had experience with the mileage taxes. And in our observation in working with the Western States, many of them are content to collect whatever taxes they can get out of that system, and they can't afford to go into enforcement that requires everybody to pay those taxes. This works out reasonably well as long as the rates are low. But under the current economy, these rates have had to escalate. And what happens as these rates escalate, more and more people decide it's not worth the effort to be "honest" so to speak. And the amount of revenue that they recover as these taxes escalate, is not in direct proportion to the change in rate. Since this is a fact of life, and I don't suspect that the westerners are any different than the easterners in this case, the only reasonable system to use is a gross weight system.

What I'm saying in my testimony is, that there is, for example, the incremental method that we need for almost 30 years to determine gross weight responsibilities. And under that basis, the gross weight responsibilities for trucks is significantly less than it is under the Federal highway cost allocation recommended methodology, which is basically an untried methodology.

Senator **Symms**. So, you're saying you do like an axle tax?

Mr. **Heald**. Unless it's based on the registration for a unit on an annual basis, it probably won't work.

Senator **Symms**. It won't work?

Mr. **Heald**. It probably won't work. As long as it's based on a self-reporting of the axle weight, you probably won't see it work very well. That's why in most cases the trucking association managers, and we would even be inclined to agree, you have to have a tax that has got to be paid up front before you drive in order to make it a reasonable alternative.

In one case it's a fuel tax. Maybe it's a fuel tax paid before you use the fuel, or maybe it's a registration that's required to allow you to use the incident of the actual travel.

Senator SYMMS. Thank you, very much. The committee will stand in recess for 5 minutes before we take the next witness.

[Whereupon a short recess was taken.]

Senator SYMMS. The committee will proceed with the hearings. I notice in the room that Jeff Seeley from Senator McClure's staff is here. Senator McClure could not be here today, but if he has a statement, it will be made part of our record. And I also noticed that we had a legislator here. Dean Hagenson was here in the room, and he'd certainly be welcome to sit in on the hearing and ask any questions that he might want to ask.

I would like to at this time call on Dale F. Stedman, the president of the Inland Automobile Association. Dale, are you here?

Mr. STEDMAN. I am indeed, Senator.

Senator SYMMS. Proceed.

STATEMENT OF DALE STEDMAN, PRESIDENT, INLAND AUTOMOBILE ASSOCIATION

Mr. STEDMAN. Senator, I am Dale Stedman.

Senator SYMMS. Dale, I might just mention that yesterday in Boise, I asked the AAA why they weren't testifying, and they said they were going to present their testimony in Coeur d'Alene by the beautiful lakeshore. I wonder if they anticipated this rain we're getting today.

Mr. STEDMAN. The rain only started at the border, Senator. You recognize and we appreciate your being here and at the Lewiston hearing. These are helpful.

I am the president of the Inland Automobile Association, which is the AAA organization for northern Idaho and eastern Washington. And I am also appearing here today as a director of the American Automobile Association, the AAA, an organization of 23 million North American members.

Senator, you recognize that I come with a certain amount of bias. In this hearing today, I feel a little bit like the lamb among the lions, because looking at your agenda it looks pretty much like a truck hearing, and that's fine. Our abbreviated comments this morning, Senator, will be on the last three items in your letter of suggestion:

One, the legislative proposals introduced by Members of the House and Senate which would alter the tax structure. Second, to the effect of increased truck sizes and weights on the condition of roads and bridges and to what extent reasonable access should be provided. And on the Department of Transportation's preliminary report on alternative tax structures.

I have a second testimony which will not be read to you, Senator, but I have provided a copy from the Automobile Club of Washington, our affiliate on the west side, which will be submitted for the committee's consideration.

Senator SYMMS. We will submit Paul G. Herron's testimony immediately for the record.

Mr. STEDMAN. That would be fine.

Mr. Chairman, we would say from the outset we have no quarrel, no quarrel at all, with the idea of adjustments in the application of the Federal fuel tax, changes, or other road use taxes. If the taxes mandated in the STAA of 1982 are unjust, changes should be considered. If one class of vehicle is being asked to pay more than its appropriate share of the costs of building and maintaining our highway, road, and street system, then changes should obviously be made. We believe that equity in tax application is the proper way to go. It is certainly clear that if the tax levels projected by the schedules of the STAA of 1982 are to be met, somebody is going to have to pay the difference. If the big truck tax is going to be lowered; either small, medium, or not quite so big trucks will have to be increased. This, of course, is where our concerns begin.

As to the legislative proposals introduced in both the House and Senate to alter the tax structure, we tend to feel these proposals are premature. In the first place, the Department of Transportation is well into a study mandated by the STAA itself to look at alternatives to the heavy truck tax schedules which are set for 1984. Secretary Elizabeth Dole has urged that no action on modifying taxes be taken until the full study has been made. Other top administrative staff have indicated that after careful study of the proposals introduced, the DOT would oppose them for several reasons, including the belief that early study results do not support the contentions of the legislation, which is, that that legislation is revenue neutral.

The DOT contends, properly we believe, that proposals introduced in the House and Senate would shift away from equitable taxation rather than move toward equity. Light combination and single-unit trucks, which already pay more than their share of highway costs by almost all the studies, would be given an even greater obligation in H.R. 2124.

Our national AAA staff also has done some calculations and found out that an increased diesel tax of 7 cents would be required to offset the change should a weight/distance philosophy be abandoned.

How much of our Federal and State highway costs the very largest and heaviest trucks should pay has been an unresolved issue for many years. It has been our understanding, Senator, that the STAA was an honest, serious attempt to more equitably assign those cost obligations. We applaud your involvement in that attempt to bring together a new taxing method to pay for our highway systems. Inasmuch as recent studies, including the congressional cost allocation study, reveal that passenger cars are paying at or slightly more than their appropriate share. If big trucks are going to pay less, the other truck classes are going to have to pay more. Since the large, combination trucks represent only 3.6 percent of all the trucks on the road and less than 1 percent of all the motor vehicles, there would need to be some very strong evidence to support increasing other vehicle taxes to allow a decrease in big-truck taxes.

The effect of the big trucks on road conditions is well argued in the July 1979 report to Congress by the Comptroller General of the United States, entitled "Excessive Truck Weight: An Expensive Burden We Can No Longer Support." I'm sure your staff has a copy of that. Chapter 3 includes this:

> Although a five-axle tractor-trailer loaded to the current 80,000-pound federal weight limit weighs about the same as 20 automobiles, the impact of the tractor-trailer is dramatically higher. Based on Association data, American Association

of State Highway and Transportation Officials, and confirmed by its officials, such a tractor-trailer has the same impact on the interstate highway as at least 9,600 automobiles.

And the report went on to demonstrate by graphs and other forms how that came about.

We see the level of impact as adequate justification for large trucks to be viewed as special cases which should not be allowed to use roads and streets for which they were never designed.

Now, we see the widest and heaviest combination trucks as presenting major safety and damage potential in the urban areas and in small communities under the STAA requirement of reasonable access. Access roads and streets with traffic lanes of less than 12 feet width and never built with the big trucks in mind, should never be exposed to the big trucks. Again, why should 99 percent of the road users be inflicted with problems that only 1 percent of the users create?

Last month, the Department of Transportation released a preliminary report on alternative tax structures to those included in the Surface Transportation Assistance Act. We have been able to review this material and are impressed with the data which shows that combination trucks, especially those over 70,000 pounds are paying considerably less than their cost responsibility, even when all enacted taxes are in place on July 1, 1984.

I have a chart attached, Senator, at that point in your material, which the DOT has released which gives those percentages. The DOT preliminary report lists several alternatives to the diesel tax area. We would encourage the committee to give special consideration to those options which appear to offer positive results without materially reducing the projected revenues of the STAA of 1982.

I guess what we're saying at this point, if in the Congress wisdom that the 5 cent increase with the penny to transit was justified and if we were going to stay with that funding, we certainly cannot deviate now and back off to a substantially lower amount of revenue coming and get this job done that we've talked about for 2 or 3 years and try to reach that point. We would particularly urge recognition of the need for an equitable distribution of cost obligations among the several classes of vehicles.

Senator, earlier you heard from the trucking representation here, and I would say to you that the Automobile Association is not biased against trucks. We're biased for passenger cars. We have among this group of trucking representatives here, members of the AAA. So, we're speaking not as people who oppose the trucking industry.

In the West, I think the trucks and the passenger cars have melded together fairly well. They've come together on legislative problems reasonably well. And I think most of that has come about because each side, each vehicle class owner, has taken a reasonable approach to obligations of cost and obligations to safety. And it would certainly be our judgment, Senator, and hope that that same type of reasonableness will continue in the future when we start talking about changing current laws. Thank you.

Senator SYMMS. How do you feel about the fact that the passenger buses are exempt from this due to conservation of fuel and so forth?

Mr. STEDMAN. Well, we argued at an earlier point, particularly when buses were privately owned, that a bus had no more obligation or responsibility to be exempted from tax than anybody else. Since that time, as you know, Senator, there are very few private bus companies any longer. Most of them are municipal buses, county buses—they're owned by the people so to speak. The argument seems to have disappeared, that they're not justifiable in having an exemption from the tax. The argument simply being, you're just taxing on the one hand to pay it on the other. We would still argue that the buses deserve and should pay a reasonable share of road street cost. I suspect, however, that is a cause that will not be won.

Senator SYMMS. What would you guess, you probably know, but what's the percentage of automobiles out here that are now powered by diesel engines?

Mr. STEDMAN. It's a very small percentage. I have no absolute figures, but I would guess less than 10 percent.

Senator SYMMS. Do you anticipate that if we would, say, switch this tax from a users' fee that's paid once a year, to a fuel tax that's paid every time you fill the tank up, that there would be major difficulties in adjusting a rebate for diesel automobile owners?

Mr. STEDMAN. Well, I would think that this legislation very logically would have some reference to vehicles under a certain weight would be exempt, not a rebate. That passenger cars under certain qualifications would not pay the tax at all.

Senator SYMMS. How is this going to work for the fuel retail operaotr that's got to have the pumps. Does he have two pumps?

Mr. STEDMAN. I guess that might be the end result. There are a number of those types of rebate programs, as you are probably aware, in the West now, particularly in the State of Washington where boat owners can receive both an exemption certificate and a rebate certificate. I suspect there would be some mechanical problems with it. Coming back to an earlier comment I made here. We have no argument with a method by which an easier way to bring in the necessary funds was chosen. We're not married to the idea that a weight-distance tax is the proper way to go. Much of the argument that I have read by the trucking interest has been that it is a very expensive way to pay taxes. The up-front money is money that they can't afford to pay before they've earned it, and I accept that.

My argument, and our argument, is simply stated, Senator, if you and the rest of the Senate believe that the money raised under the STAA was proper, the distribution of those revenues then is going to have to be equitable. And we don't care how you do it. If you think one way is the best way and you get the same money, we applaud you for it if it simplifies bookkeeping and makes the funding easier for those who are in the business of trucking.

Senator SYMMS. I guess that you heard the trucking industry has got a profit margin that's pretty close to nil. It's from slim to none from what I understand. Do you think that the industry is justifiable in their statements that there is just no way that they can absorb this? Or do you think that freight rates somehow have to be adjusted to accommodate cost of operation?

Mr. STEDMAN. Senator, I have been under the assumption all along that everybody goes into business to make a profit, or else why are they there? My assumption carries over to the point that if trucking efficiently run, properly managed cannot make a profit, they need an increase in their freight rates, not a decrease in paying for roadways.

Senator **Symms**. Thank you, very much. I appreciate having you here and don't feel out of place with all these truckers. They probably would like to have you stick around for part of these festivities tomorrow.

Mr. **Stedman**. Mr. Sangster is a member of the AAA, so I know I'm in good hands.

Senator **Symms**. The next panel will be Gordon Tate, Ray Oliver, and Bill Hickman is going to introduce Ray Oliver who is the executive secretary-treasurer of the Idaho Association of Highway Districts. Gordon, it's nice to see you, also. He's president of the Idaho Grange. First, we'll hear from Gordon Tate. Do you have a prepared statement, Gordon?

Mr. **Tate**. No.

Senator **Symms**. Go right ahead.

Mr. **Tate**. We'll send in a prepared statement. We have one, but in the interest of saving time, Senator, I'm just going to make a few brief comments.

Senator **Symms**. Our hearing record will be kept open for 30 days for anyone who wishes to submit additional testimony to the record.

STATEMENT OF GORDON TATE, IDAHO STATE GRANGE

Mr. **Tate**. We believe that with the increase of the fuel tax we should make that the mainstay of the Federal highway fund and eliminate some of the other use taxes which are being proposed. We believe that differential would be necessary in providing equity between the different sources of our fuel tax. But we believe that this should be the mainstay of it. We furthermore believe that freight economies can be made in the building of highways and the building of highways in a manner that will serve the needs of the people, particularly in the State of Idaho. Now, that is the main basis on which our statement is predicated.

And with that I'll just say that we're very happy to be here and have this opportunity to testify on my behalf and on behalf of the Idaho State Grange.

Senator **Symms**. Bill.

Mr. **Hickman**. Thank you, Senator Symms, first of all from the Idaho Association of Highway Districts for giving us this privilege of testifying today at this Transportation Subcommittee. I would like to introduce, to present our testimony today, our executive secretary of the Idaho Association of Highway Districts, Ray Oliver.

Senator **Symms**. Do you have any extra copies?

STATEMENT OF RAY OLIVER, EXECUTIVE SECRETARY-TREASURER, IDAHO ASSOCIATION OF HIGHWAY DISTRICTS

Mr. **Oliver**. Yes; I do.

Mr. Chairman, I am Ray Oliver, executive secretary-treasurer for the Idaho Association of Highway Districts. We are pleased that your subcommittee is affording us the opportunity to present our concerns on the Surface Transportation Act of 1982.

Our association consists of 64 special taxing districts with administrative responsibility for 12,000 miles of public secondary roads and streets in the State of Idaho.

Mr. Chairman, I am sure that you are well aware that the Nation's highway system is deteriorating at a faster rate than the present maintenance and construction funding provides. And while we share the concerns of Federal and State highway administrators, our primary concern is for local needs at the county, highway district, and city level. The local needs all seem to be forgotten when compared to Federal and State needs when Federal highway funding programs are enacted.

The local road system is a vital link in the overall national transportation system. Without the local road and street connection that provides direct access to the people and adjoining land, the journey to market and the freeway could never begin.

We at the local level find that the streets are required to provide more use with considerable less funding each day. As our population increases, so does the average daily traffic count on our roads. As railroads reduce their freight lines, the freight moved over our roads increases. As more people move to the rural area, greater demands are placed on the county roads, creating additional maintenance costs; inflation has eroded the buying power of the funding we have had.

All of the above results in deferment of major capital improvements, and then eventually the deferment of even maintenance results. The continual deferment of capital and maintenance needs will result in a major loss to the capital investment in our overall highway system which will have a significant effect on the mobility of our country.

Clearly, if we are to maintain an efficient highway system in this country, user fees must continue so we can provide for the increasing demands on the highway programs. We, however, are not in a position to provide technical information as to whether one group should pay more or less as their fair share of the highway construction or maintenance cost. We do, however, wish to emphasize the fact that local street and road capital improvement programs must receive their fair share of any funding programs.

We at the local level would also request that when you consider future highway funding that you would review and reduce the mountain of rules and regulations we at the local level are confronted with to receive any Federal funding. There are many cases where the local unit of government could construct a highway or bridge to adequately meet the needs of the public at maybe one-third the cost of having to go through the administrative gauntlet of obtaining Federal-aid funds. Consequently, many of our smaller cities, counties, and highway districts never apply for Federal highway funding because of redtape and time delays which are always a part of any Federal assistance programs. We would prefer to see a portion of the Federal highway fund be allocated to the States and automatically transferred to the local units based on a formula considering population, highway mileage, registered vehicles, and units of government with highway responsibility.

The American people have invested billions of dollars in our transportation system and now the future success of that system is now dependent on your efforts. So please, in your future funding programs, don't forget the local street and road system deserves national attention, because we too are an essential part of the total transportation system.

Thank you, Mr. Chairman, for sharing our thoughts and comments with your committee.

Senator SYMMS. Thank you very much, Bill. I think many of us in the Congress agree with what you're saying; we'd like to reduce the mountain of rules and regulations. But with respect to this Surface Transportation Assistance Act, are you feeling any impact of it yet at the local highway district level?

Mr. OLIVER. Well, of course, for the Federal-aid secondary funding there was an increase of that. And there was a little bit of an increase in the bridge money and the hazard-elimination money. We still have to go through this administrative process if we at the local level are to get any of that money. And that's a time-consuming thing.

Senator SYMMS. If you decide to build a bridge or a road in the local highway district without Federal funds, what's your method of taxation? Property taxes?

Mr. OLIVER. Property taxes make up about a third of our income. In some of these mountainous counties we have a forest fund income. And then a sales tax and RV license fees. We received about a third of our income from the State gasoline tax, the State Highway Users Fund.

Senator SYMMS. How much do you suppose you received from Federal?

Mr. OLIVER. I haven't got a feel for that right now.

Senator SYMMS. A small percentage, though?

Mr. OLIVER. I would guestimate about 5 to 7 percent.

Senator SYMMS. Five to seven percent?

Mr. OLIVER. Yes.

Senator SYMMS. Which one of these Federal regulations are the most costly? Is it safety regulations? What are the regulations that cause you the trouble you referred to?

Mr. OLIVER. EPA, for instance, has mandated some requirement in the State here that we look at shell injection wells—shell injection wells, primarily for storm runoff. One of the new proopsals stated under the guidance and direction of the EPA is requesting all governmental entities file a permit—or get a permit for each shell injection well. At one time the regulations, proposed regulations, would require that we furnish them the legal location of each one of these shell injection wells, and we would furnish them any source of pollutants within a half mile of that.

Now, in Kootenai County the four highway districts have about 600 shell injection wells. What a shell injection well is, is just a hole in the ground out here to catch runoff. We feel that if the EPA wants us to monitor those things and fill out a permit and so forth, then let them fund it. We have enough problems trying to keep up the roads, and so forth, without going through all that. That's a costly deal.

Now, as far as constructing roads, right now we get about 20 percent local funding versus 80 percent Federal funding for a Federal aid secondary project or for a bridge project. But this means that we as a highway district cannot go out and negotiate with a property owner. We have to go out and have somebody come in and appraise the property, and we have to bring in a negotiator to negotiate with the property owner. Whereas, if we were building the road ourselves with our own funds, we can go out and negotiate with the property owner without going through those two or three people. We could give them a load of gravel or improve their driveway for a 10-foot strip of road. Or if we want the utility company to move a few telephone lines or something, that has to be written up as a new road construction contract. So, what we're faced with is putting up 20 percent of local funds to get this 80 percent Federal money, and to build a road that's in a lot of cases a lot more technically involved than what we really need out there sometimes. But you have to meet the Federal standards and design the road to their standards and so forth.

Senator SYMMS. Thank you.

Gordon, you didn't say for sure, but do you favor a switch from a users' fee, as written in the law, to a fuel differential between gas and diesel?

Mr. TATE. Yes, we favor that.

Senator SYMMS. You favor that.

And I think you said you favor it, Bill?

Mr. OLIVER. We're not going to be involved in that.

Senator SYMMS. Send the money, no regulations?

Mr. OLIVER. Right.

Senator SYMMS. Our next panel will be Jim Landwehr, general manager of Yellowstone Trucking, Inc.; Jack Abel from Zirbel Transport; and Jim Pingree from Star Motor Freight. I don't see Todd Maddock from Potlatch Corp. here. It looks like we may have the opportunity to let everybody testify this morning. My watch says 1 o'clock, but that's Boise time. So, we're actually in pretty good shape here in Coeur d'Alene.

Jim, go right ahead.

STATEMENT OF JIM LANDWEHR, GENERAL MANAGER, YELLOWSTONE TRUCKING, INC.

Mr. LANDWEHR. Senator, I too would like to thank you for the opportunity to address the issues of the Surface Transportation Act of 1982 and their specific relevance to Yellowstone Trucking, Inc.

Yellowstone Trucking is a wholly owned subsidiary of W. I. Forest Products and operates 48 power units, 33 of which are company owned. Our operation consists of servicing the Midwest with lumber and returning general commodities to the Northwest.

The impact of the tax on Yellowstone Trucking is as follows: The nickel increase which was placed on us the first of April based on projected miles for 1983, is going to cost Yellowstone Trucking an additional $48,200. The rubber tax net increase based on 1982 consumption will be $5,700. This portion of the act I find very difficult to accept. It is an unfair and inequitable tax that removes all rubber tax from vehicles using tires less than 40 pounds and increases the tax on truck tires threefold.

The Federal use tax will cost Yellowstone and its contractors $76,800. This is totally unacceptable in its present form, and it is doubtful revenue can be increased to offset this tax.

The productivity gains as a result of the act: Because of the removal of the excise tax on truck parts and accessories we estimate an $8,800 recovery over 1982. The repeal of the lubricating oil tax will save $370 over 1982.

THE INCREASED WEIGHT AND SIZE ALLOWANCE

Senator, if history repeats itself, the gains from the increased weight allowance will be short lived. In the past when States increased their size and weights, competition from wthin the industry actually caused the rates to drop. In essence, the net result will be increased weight for little or no additional revenue plus the cost of increased wear and tear on the equipment.

This fact, coupled with the fact that unless we are traveling into or through one of the previously designated barrier States, there will be little or no gain in revenue.

In general, Mr. Senator, it appears to this person that the Federal Government has little or no conception of the interstate trucking industry. Is Washington aware that the States in order to receive Federal highway assistance must match funds via various formulas. The States suffering from their own economic plights have further increased fuel taxes and license fees to meet the Federal requirements. There is nothing to offset these costs, and certainly an Idaho-based carrier has little impact on the State of Pennsylvania or any other State.

Indeed, Mr. Senator, the highways are in need of repair, but should they be totally subsidized by the trucking industry. The method by which this act was reportedly passed by Congress during a lameduck session perhaps speaks for the act itself.

Senator SYMMS. Thank you very much, Jim.

Next is Jack Abel. Jack, welcome to the committee.

STATEMENT OF JACK ABEL, SAFETY SUPERVISOR, ZIRBEL TRANSPORT, INC.

Mr. ABEL. Senator Symms, for those that are going to follow along here, my oral testimony begins on page 5.

My name is Jack Abel, I work for Zirbel Transport and Wood By Products of Lewistown, Idaho. We operate 105 tractor semis in 11 Western States and British Columbia. The combined gross weight of these units is 80,000 pounds.

I will attempt to condense my testimony into the 5 minutes. In brief, No. 1, the impact of the Surface Transportation Assistance Act on the trucking industry is tremendous. The obvious is the added cost of $1,900 per year use tax plus $1,100 or more in extra fuel taxes and tire taxes, rubber taxes. This amounts to $3,000 or more per year. We do not make that much per year per truck. The result would be certain bankruptcy.

The other, not so obvious impact, is a thing called fair competition. The trucking industry's real competitor today is not the other trucking companies, but the railroad. August 1982, over 1 year ago, the railroads were making inquiries about flat cars to haul 48-foot trailers and asking about availability of trailers 102 inches wide and 48 feet long and doubles 28 feet long. It seems to me they knew what was going on before anyone else. Of course, if I drafted a document, I would know its content before anyone else. The railroad sets the freight rates.

There's been discussion today about freight rates. The railroad sets the freight rates the trucks use; the trucks don't. And they have been successful in arranging this tax load this tax burden for trucks.

The railroad, on the other hand, has received assistance in funding their pension plans in particular from the Government. They have been successful in obtaining more liberal regulatory rules, allowed mergers, and received more favorable legislation. And the Surface Transportation Assistance Act is one of these pieces of legislation.

No. 2, productivity gains experienced by the trucking industry as a result of increased truck size and weights. We have received no increases in weights; in fact, Idaho has rescinded a 1,000-pound tolerance quote, "to comply with Federal regulations," unquote. Before July 1, 1983, we were allowed 81,000 pounds gross before a citation was written. After July 1, 1983, more than 80,000 pounds gross will be cited. The other States were 80,000 pounds gross before the passage of the Surface Transportation Assistance Act. The changes in width and length laws have not benefited us. Except for a very small percentage of our total freight, we can overload any of the equipment we now operate. The railroads, however, could benefit from larger trailers, wider and longer, uniform size throughout the Nation. They can haul heavy loads on nonhighway tax paying rails and use the highways only to make intercity delivery or unload at their yards.

Three, changes that should be made in the Surface Transportation Assistanace Act. It should be repealed and a bill drafted to support the highways by the users of the highways. Do away with so-called safety grants. Use the funds to repair the roads and not to fund bureaucratic work programs in the name of safety or enlarge weight control programs in the name of highway preservation. Cut the spending programs to build and support railroads, commuter trains, and rapid transit systems. Let the people who ride these trains and rapid transit systems pay for them. There is no way the trucking industry can survive with this extreme tax burden. The freight will be moved, but not by taxpaying trucks.

There should be some consideration given to the impact of the employment work force, the reduction of drivers, mechanics, bookkeepers, and trucking industry related businesses. It is an accepted fact in most quarters, the most sought after element to correct unemployment is more employment. If this country is to recover from its economic slowdown, unemployment must be curtailed. The ratio of labor to total cost of transportation is much higher for trucks than any other form of surface transportation. If employment is as important as I believe it is, then not reducing the percentage of total freight moved by trucks should be high on the agenda.

All of the things said here today has been said before at meetings similar to this one, before the passage of the Surface Transportation Assistance Act. I only hope that some of the pleading from the trucking industry at this meeting is heard by our elected officials. Thank you.

Senator SYMMS. Thank you very much, for a very direct statement, Jack. Jim Pingree.

STATEMENT OF JIM PINGREE, GENERAL MANAGER, STAR MOTOR FREIGHT, INC.

Mr. **Pingree**. Thank you, Senator.

My name is Jim Pingree. I am the general manager and first vice-president of Star Motor Freight, Inc., located at 1004 Idaho Street, in Lewiston, Idaho. I have been in the trucking business working on the dock, to driving truck and tractor, to my present position for 25 years.

Star Motor Freight is an Idaho-based carrier operation out of Lewiston, Idaho, to the small towns and communities in Idaho between Lewiston and the Boise Valley to the south; to the Montana line to the east; and to the Canadian line to the north. Star Motor Freight was issued IPUC permit No. 4 some 75 years ago and operated with horses at that time under the name of Star Dray. We had no fuel tax problems at that time as you can understand. As one can see, the past for Star Motor Freight has been providing service to Idaho's small communities, and we hope to do the same in the future. The increased costs put on us in the future by the Surface Transportation Assistance Act could put that future operation in question.

The main purpose of the STAA is to help us meet our needs in the repair of our Nation's roads and bridges. Over the years, moneys have been placed in the highway trust fund for this purpose. To the tune of $9 billion at this time, I believe. I put in a footnote. That is a balance at this time, not overall. Maybe this is not adequate for our needs, but it comes to my mind that the back door has been opened to this trust fund and a great amount of dollars taken out to maintain mass transit systems to all parts of the country.

What caused this money to be diverted? How can we stop this drain so that the moneys placed in this trust fund can be used for the purpose intended, namely, repair of our Nation's roads? I've heard the phrase "There is no such thing as a free lunch." Well, it looks like we are setting quite a table. I was in the office of a major national truck line when this bill passed, and I overheard a comment which was read from a wire from the company's main office saying, "We finally won." When someone wins, there is always a loser.

What has happened is the large carriers will now be able to cut costs because of the ability to pull doubles across the country from west to east. This same carrier will now have the elimination of the barrier State weight limits. Also, this large carrier will now have the availability of larger trailer lengths and widths. It has been indicated that these truck operators will now realize a $5 billion increase in annual productivity.

I mentioned before that there was a loser. It is no one but the small carrier. This I do not understand since Idaho is made up of small towns and small carriers. In any case the small carrier will now have to pay through the nose with the implementation of this act. He will pay an increase in fees and fuel tax, that may put him out of business; and on top of that, if he has been running double boxes over 28 feet long, as in our case where we run twin 30-foot trailers, he will have to get this equipment grandfathered, and the route it runs grandfathered. In other words, the small carrier such as I've mentioned, has lost productivity. With this loss a small carrier can be in trouble or just out of business.

I would respectfully suggest the following: One, put the tax on new tractors, trucks and trailers over 33,000 GVW back where it was, as this is a real burden to the small carrier and the one-truck operator. Convert the future use taxes into the fuel taxes as the usage fuel is the true judge of the time a piece of equipment spends on our Nation's highways. Thus, a true user tax. Look for additional ways to decrease the taxes on the small operator. As the senior citizen of trucking, the independent small operator is the life blood of motor carrier transportation.

One comment on truck deregulation: A small community or community with no major industry or market area is going to suffer greatly on service and charges.

Thank you for your time and consideration of my comments.

Senator SYMMS. Thank you very much.

How many units is Star Motor Freight running?

Mr. PINGREE. Approximately 12 line tractors and another 10 other units.

Senator SYMMS. So, you're too big to come under the five exemption.

Mr. PINGREE. That's correct.

Senator SYMMS. You may have heard someone mention that earlier this morning.

Mr. PINGREE. Yes, I did, Senator.

Senator SYMMS. I guess you make it pretty clear in your statement if we are going to have a tax, put it on the fuel. You all agree with that.

Let's see. Who did we leave out here.

Mr. MULLIGAN. I represent Todd Maddock.

Senator SYMMS. Oh, you represent Todd Maddock. Go right ahead, before I ask any questions. What's your name for the reporter?

Mr. MULLIGAN. Bill Mulligan of Potlatch Corp.

Senator SYMMS. Bill Mulligan of Potlatch Corp. Do you have a prepared statement, Bill?

Mr. MULLIGAN. I've got one copy, but I'll send in a prepared copy.

Senator SYMMS. That's fine. Our record will be kept open for 30 days. So, that's fine. Go ahead.

STATEMENT OF BILL MULLIGAN, LOGGING MANAGER, POTLACH CORP.

Mr. MULLIGAN. My name is Bill Mulligan. I'm logging manager at St. Maries. I will present testimony this morning for Potlatch Corp. We are a company that completely depends on trucking for transportation of raw materials, residual mill products, and finished milled products to the consumer. My expertise is within the area of raw material movement for logging transportation.

Within our Idaho operations, we operate approximately 250 logging trucks per day with a mixture of company and contract trucks involved. Each day we also send fleets of contract trucks to haul chips, sawdust, fuel, lumber, plywood, and other finished products to the consumer. Trucks are an absolute essential part of our business, and without them we would quickly grind to a stop.

As you are well aware, Senator, we are a business that has been racked by high interest rates, poor markets, and severe problems with adequate national resource supply to conduct an adequate, healthy business in recent years. We are an industry that has suffered as much as anyone through the depressed economic times we have endured these last several years. We must be very concerned over issues that will affect our ability to operate our business at a good cost. Therefore, we are here today to provide our input. We are on record supporting increased funding to repair the highways of the Nation. There is no doubt in our mind that this work needs to be done. We testified so during the preparation of the Surface Transportation Assistance Act of 1982.

We still feel this way, but support the concept of a bill like H.R. 2124 to collect the levels of funding necessary to accomplish this goal in a more equitable manner. We do not feel that a system designed to collect funding from the sale of trucks, trailers, tires, and from the heavy-vehicle use tax, is an equitable method. We believe this places an unfair burden on a business where much of the truck use is on a private road system in a short operating season, and it depends heavily on the availability of spare trucks and specialty units, like dump trucks we operate during the summer on a very short season, sometimes only 2 months per year.

We believe the only easy, equitable way to collect necessary fundings is through the use of a fuel tax. This system would fall in line with a traditional pay-as-you-go concept of the trucking industry today. We prefer a fuel tax rather than a ton-mile tax, as we believe this would be easier to collect and easier to administer than strictly a ton-mile tax. We feel that in the fuel tax there's actually a system that's already developed that would collect more revenue on heavier vehicles, as the heavier vehicles have a higher fuel consumption per day.

We appreciate the opportunity to testify today and hope for you the best in drafting a good bill.

Senator SYMMS. Thank you very much. I just want to ask one question. I think you've all pretty well spelled out your position.

The question keeps coming up, and you all heard the gentleman that just testified preceding you from the Automobile Association, talking about the fact that the cost of hauling the product should be reflected in the price of the freight. I think you make the point in your statement, there is no free lunches. I think we'd agree there is no free highways either. We have a difficult problem, with all the politics of the East, of how to get our highways paid for so we do have a national highway system that we can move products on. What do you say about freight rates? Jack mentioned the railroads setting the freight rates, and you're more or less in the freight business, not entirely full truckloads but smaller packages of trucks that are making stops on delivery routes around the State; is that not right?

Mr. PINGREE. That's right.

Senator SYMMS. What about the freight rate?

Mr. PINGREE. The freight rate as far as the LTD volume is concerned, the rates are going to, obviously, go up. We have to cover ourselves to make a profit. There's no doubt about that. So, the small communities are going to have to pay a lot of this burden. The same thing that you see—and you're getting into deregulation now when you're talking about freight rates and other people involved in it.

The airlines are having the same problems with the short-line carrier, and I'm talking about small communities again. The freight rates that we deal with are into the small communities. As I said in my statement, they're really going to suffer, because those rates are going to escalate to cover service to those areas.

Senator SYMMS. I grew up in the produce business, and my family are all in the produce business. So, we're in the business of hiring trucks. But the people I grew up with in the potato business, the onion business, the apple business, they always wanted to hire the truck for the lowest possible price, which is free enterprise in the market.

Mr. PINGREE. It comes back to 1935, when the Transportation Act first came in based on public convenience and necessity. Now, that's actually turned. It's carrier convenience and necessity. If they don't want to take that load of apples, they're not going to take it. They might find something else that's better.

Senator SYMMS. The applegrowers could offer a higher price for it, you see, and they could get the load.

Mr. PINGREE. You're saying that's competitive now: That they will come in and offer a higher price and the carrier will or will not take it. But do you get service then?

Senator SYMMS. Jack says his company is making less than $3,000 per truck profit, on 100 trucks that's $300,000. I think your testimony indicates that your new taxes are going to be how many thousand dollars?

Mr. ABEL. It will be more than $300,000.

Senator SYMMS. So, how much is your gross freight revenue? You'd have to realize a 1-percent rate increase.

Mr. ABEL. Or better.

Senator SYMMS. Or better to accommodate this tax. This is an argument that many of us have made many times. In discussing this in the committee, I've always told people: You'll just pay a higher price for the lumber that you build your house with if you abnormally force the freight rates up—due to the tax. But in some instances the business is, so to speak, so competitive that the rates aren't going up is what you're telling me?

Mr. ABEL. They will not go up. In fact, Potlatch is one of our major customers, and they've already made the statement that there will be no freight increases, no rate increases.

Senator SYMMS. Do you think Potlatch, then, will just buy more of their own trucks, you're not making that much profit now. From your testimony I would think that you would want to hire it all out.

Mr. MULLIGAN. Of course, you're in a little different area than where my expertise is. There's a different part of our operation that governs the transportation of chips and lumber. In the logging area, we're partially contract and partially company operations, and we would hope to maintain that balance. We have not in the last couple years—and I'm sure somebody later on may testify from the logging area—given a pay increase on our trucking when we're trying to put a product in any phase of our business on the market and remain competitive, we must hold down our costs. We find that overall—because of the great fluctuation that we in our business, a feast and famine so to speak business—that we cannot afford to have large fleets of trucks that are sitting waiting for the times in which we're going to transport product over a short run.

Senator SYMMS. Right.

Mr. MULLIGAN. So therefore, we depend very heavily on the contract truck. Their business health is our business health. That's why I made a point in my testimony to refer to both company and contract trucks. As you're aware, Senator, here in the west we have a tremendous problem with resource availability. By the time we secure the natural raw materials in the logging area and get it to our manufacturing and converting units—because of the competition for available Federal stumpage and State stumpage—we have tremendous money into the product before we ever try to convert or move it, which these fellows are involved in that end of the business. It's tough on us to look at price increases when we're in times like we are now where we can't get our products to market competitively.

Senator SYMMS. Jack, how many miles do you run your trucks a year?

Mr. ABEL. Each one of them will run about 100,000 miles. I don't have the figure right off the top of my head, but there's 100 of them, so that's what? Ten million.

Senator SYMMS. Let's say, for example, you had a 7 cents a gallon differential, and we got rid of the users' fee completely. If you ran 80,000 miles, it would cost you $1,400; but you pay it as you go. If you run 100,000 miles, it would be an extra 20 percent more than that—around 16—it would be close to the same amount of money, but you wouldn't have to borrow it in advance.

Mr. ABEL. That's right. But the problem here still comes back to one thing: The freight that is being moved, the machinery, the lumber—of course, right now a lot of our trucks are engaged in hauling wood residuals—and the people we haul for, like Potlatch, depend on trucks. However, their competition, such as, Long View Fiber and possibly Boise Cascade—but their competition relies on rail right out of the Spokane area. There are wood residuals that are going to the coast by rail rather than to Lewiston by truck. The reason is, because they'll haul it on rail cheaper. So, this is what I mean when I say, "Rail sets the rate."

Senator SYMMS. Freight rate; yes.

Mr. ABEL. They even set the freight rates for people like Potlatch who don't even depend on the rail, because their competitors do depend on the rail. So, they can't pay a premium if their competitors are getting it transported at a subsidized rail system. And on the lumber, if it's going to, especially, California, and the same with your produce.

Why don't the farmers—and I'm also raised in an apple orchard, by the way—why don't the farmers send their apples by truck? Because they can put them in a boxcar cheaper—or in a reefer, and they'll go down and be unloaded and put 60,000 or 80,000, or whatever they put in a boxcar. They do that cheaper than putting it on the truck. So, as long as the trucks can compete per dollar per hundredweight, the trucks get to haul it, because they give a little bit better service. But if they can't compete, then the service is not all that important. So, to reiterate, they set the freight rates.

Senator SYMMS. Thank you.

Mr. **Landwehr.** Senator, relating to the freight increase, there was an effort by the major lumber carriers in this area the first of April, to offset the fuel tax, the nickel a gallon fuel tax. It fell by the wayside 4 to 5 days after it was put into effect, primarily because of its competition. There's a few back haul carriers that kept the rates down here and the railroads. Certainly, you know, we're talking about simply a matter of supply and demand. Unfortunately there's a greater supply of trucks.

Senator **Symms.** How much did you try to raise them?

Mr. **Landwehr.** There was a raise between 5 and 8 percent. Some of them went five and some of them went eight.

Senator **Symms.** In other words, say, instead of running $1 a mile charge, they went for $1.05 a mile or something?

Mr. **Landwehr.** That's correct.

Senator **Symms.** One of the witnesses yesterday in Boise from one of the larger trucking firms down in the valley, mentioned that they would have to raise the rate, say, on a load to Los Angeles from the Boise Valley by $50 to cover the tax, but they are unable to do it in the pricing mechanism. Then I called some people last night and talked to them about the truck situation, and they're always scrambling to get trucks. The same people scrambling to get trucks will argue with that trucker about that $50. Your point, Jack, about the railroads is certainly critical. It's particularly critical also in southern Idaho where it's a one railroad route for all of the produce that goes out of the Snake River Valley. It's all on Union Pacific. And once the availability of trucks becomes even shorter, the rail rates will probably start rising to reflect the inability of people to hire trucks.

Mr. **Abel.** Senator Symms, I made an observation that may or may not be correct. This tax the way it now stands will take 4 or 5 years to implement. Now, the reason that it's been set up that way is to lighten the blow on the trucker. Well, I don't believe that's right. I believe that the reason that it was drafted that way was they have got—when I say "they," the railroads have got the laws on the books, and this gives them 5 or 6 years to tool up instead of implementing—if they would have implemented this tax in its final scope April 1, 1983, they wouldn't be—there would be very few trucks around April 1, 1984. But there's not enough railroads, not enough boxcars, not enough equipment to haul the freight. So, they need 5 or 6 years to tool up. And they're going to get it, if this is left in. At the end of that time, the railroads—they can suffer this short-term loss because of their holdings in petrochemicals, petroleum, energy, mining—they own half the mining land in the United States that was given to them 100 years ago. They can take the bump short term. But at the end, then, they will bring their railroads back into the glory that they were prior to 1935. That's my opinion.

Senator **Symms.** Thank you very much. I think there's a lot of us on the committee that didn't have that in mind at the time it happened, but I appreciate your testimony. I think it's very valuable, certainly to me, and I think other members of the committee, also.

We'll now hear from our last panel, which is Skip White, Tom Hodgson, Jack Buell, and Phil Driesbach. And Brad Littlefield, if you're here, why don't you join these gentlemen at the table. Unless there's any objection from Skip White, Tom Hodgson, or Jack Buell; we'll put Brad Littlefield up here.

Mr. **White**. As big as he is, how could we object to that.

Senator **Symms**. Not only that, but all the loads that he may have for somebody to haul. How could anybody object? I might first ask, do any of you have written testimony?

Mr. **Driesbach**. I think I handed some in, Senator.

Senator **Symms**. Let's see. You're Tom?

Mr. **Driesbach**. No; I'm Phil Driesbach.

Senator **Symms**. Oh, you're Phil Driesbach, excuse me.

Mr. **White**. Tom Hodgson is not with us, Senator. He, apparently, is weatherbound.

Senator **Symms**. Skip, why don't you lead off.

Mr. **White**. Thank you, Senator. Certainly we want to thank you for the opportunity to appear before you on this very, very involved process.

Yesterday I had the opportunity of spending 26 miles on the back of a horse, and then we started traveling by stock truck about 9 and got in here at 10 after 6 this morning. I can guarantee you that as bad as the highways are, it's still better to travel by truck than it is by horse.

Senator **Symms**. I might just interject and say that when we had the hearing in Lewiston, I made the point to one of the young ladies that was testifying about how wonderful a wilderness experience was, I told her I couldn't honestly tell her that I lived in a house for any length of time that didn't have running water, but I talked to my dad very frequently—he's 83 now—and he was 28 when he first lived in a house that had electricity and running water. He was 28 years old. That was after he got married. And he says if he has a choice, he'll always take the new days and the problems we have today, than he would the old days, "the old times" that everybody talks about. He says it's much better in spite of our trouble.

STATEMENT OF H. W. WHITE, EXECUTIVE SECRETARY, ASSOCIATED LOGGING CONTRACTORS OF IDAHO, INC.

Mr. **White**. I can certainly second that, Senator.

Senator, my statement: My name is H. W. "Skip" White. I am executive secretary of the Associated Logging Contractors of Idaho. In average times we represent over 700 companies engaged in the logging business in the State of Idaho. These companies employ somewhere over 10,000 employees and harvest approximately 75 percent of the logs in the State of Idaho each year.

First of all let me thank you for the opportunity to testify on the Surface Transportation Assistance Act of 1982. We wholeheartedly commend you for your interest on the impact of this legislation. The announcement of the hearing focused on four of the most important aspects of this legislation. If I might I would like to respond to them in the same way they are outlined in the hearing announcement.

One, the impact of the new fees on the log trucking industry in the State of Idaho. I feel it's important to describe for you and your committee the position that we as log truckers in the State of Idaho find ourselves in. On a good year we haul logs an average of 162 days, obviously, the last 2 years plus in the logging industry have been anything but good years. The 5 cents per gallon increase that was effective in April 1983 we find acceptable. The proposed use fee increase which at present is $240 per unit and which will go to $1,600 per unit commencing July 1. 1984, we find completely intolerable. The price that we're being paid presently for log trucks in most cases does not reflect any increase in Federal tax or any other additional expenses. If you want to make this legislation even remotely acceptable I strongly suggest that you put this use fee increase into a cents per gallon increase and let us pay for it while we are operating. To have us pay a use fee for the entire year when we can only operate on a good year 160-plus days, absolutely destroys the log trucking industry. In addition to only hauling 160-plus days a year we find that we spend less than 5 percent of our time on so-called freeways and only approximately 17 percent of our entire time on hard surfaced State roads of any kind. And, Senator, I'm talking there from the entire State activity, and not Kootenai County.

Two, the productivity gains experienced by the log trucking industry in the State of Idaho as a result of the increased truck size and weight provisions of the STAA has no bearing whatsoever on our industry. We gained nothing at all from those provisions of the STAA.

Three, congressional proposals to alter the STAA in our opinion is starting to be addressed in the legislation that is presently being proposed in the U.S. House of Representatives, which for one thing changes the use fee to a cents-per-gallon base.

Four, the efforts of increased truck sizes and weights on roads and bridge conditions in the State of Idaho, in the log trucking industry should be nil seeing as how we did not increase either weight or size. Then whatever impact we had on roads and bridges before would be the same under the new STAA.

In conclusion, we suggest to you in the strongest terms possible that the use fee increase scheduled for July 1, 1984, should be changed to a cents-per-gallon which then will provide a fair and equitable method of taxing trucks and their production in the State of Idaho.

Thank you again for the opportunity to appear before you.

Senator, I would also like to make a couple points. Tom Hodgson, as I mentioned, is not with us. Some of the things he wanted to talk about was the fact that in log trucking we only haul loaded one way. We don't have any weight at all, other than the truck and trailer, on the back haul. Yet, we pay the same price as anyone else would under the present concept. Under the cents-per-gallon, obviously, we would have more efficiency. We would use less fuel on the back haul. So, if it was on a cents-per-gallon, we would be paying less tax.

I mentioned the off highway, and I think it's important that the STAA was primarily designed to increase the life and the running surface of the Interstate Highway System. Obviously, when we spend about 5 percent of our time on this freeway system and only 17 percent of our entire time on hard surface State roads of any kind, to pay this tremendous increase in use fee is totally unacceptable.

Our problems are not the Federal system. It's the secondary road system. Many, many times in the early part of the years or in the late part of the years, we have every opportunity in the world of working, but we can't get our loads to the highways because the secondary road system is in such deplorable shape that they will not accept the 80,000 pound weight limits that our trucks are entitled to carry.

Senator SYMMS. Because of frost and other reasons?

Mr. WHITE. Yes. Because of weather conditions. It's been mentioned many times that we're talking about a tax—excuse me, tax transfer. We're talking about a tax transfer when we're talking about cents per gallon versus use fees. We're talking about somebody paying the taxes or using it. If they're using the roads, they should be paying for it. If they're not using it, they shouldn't be paying for it. And the use fee does not give us that opportunity.

Thank you, again, Senator, for your very kind spot here for us.

Senator SYMMS. Thank you very much, Skip. The thought just occurred to me as you were making that point with relation to our last panel, if the tax were paid per load, so to speak, then it might make it easier for truckers to adjust their rates. Jack has, say, 70 trucks that he's running, and somebody comes in and has one truck, it's pretty easy to bid themselves into hauling at a net loss because they've already paid some of their bills up front. If they're paying cash for the fuel and paying for it each time, they're more aware of how much it's costing them. I mean, it's not the whole cost, but it's certainly substantial, particularly in the produce business that I'm more familiar with. But I assume it's the same. If there's a guy that owns one truck, and he comes in and wants to get some of your business, that he may offer to haul those logs, or whatever, cheaper. But he may not realize how much it's costing him until he goes bankrupt. That happens all the time in the trucking industry where somebody hauls for less than they can afford to. It happens every day when people go broke in business.

Jack, we'll hear from you now.

STATEMENT OF JACK BUELL, ASSOCIATED LOGGING CONTRACTORS

Mr. BUELL. I don't have a written testimony, Senator, but I'll get you one.

My name is Jack Buell. I live in St. Maries, Idaho. I have 80 trucks and 100 trailers. I run roughly 100,000 to 130,000 gallons of fuel a month, which at 9 cents a gallon runs about $140,000 a year.

We're paying right now in the State of Idaho, 23⅕ cents a gallon with Federal. Our rubber is 12 to 14 cents now. It will be 30 on new trucks, which I buy quite a few of. We had an increase of 12 percent on retail, and we had 10 percent on the manufacturing costs, which is roughly about a 50-percent increase. So, you're paying right now on an $80,000 truck—you're paying roughly $10,000 Federal tax on it.

Senator SYMMS. A year?

Mr. BUELL. Yes; a year. Which pretty near makes it prohibitive to buy new trucks. I don't know what we're going to do on that. On the use fee tax in my operation right now I'm paying $20,800 a year. Starting July 1, 1983 I'll have an increase of 107——

Senator SYMMS. 1984.

Mr. BUELL. 1984—no, 1983–1984; $107,200 increase over the $20,800. I don't know where it's going to come from if we don't resolve this on fuel, like Skip has suggested. I don't know whether we can survive now. My operation—we do everything, but milk the cows. Me and my wife run a very tight ship. If we can survive this, it's going to be a miracle due to the fact I don't know where it's going to come from. We don't have an increase. We haven't had one in 2 to 3 years. I haul for Potlatch will all my chips. They're really holding the line tight. You know, I don't know what's going [illegible] happen. I really don't.

I wonder what happened—where did Congress arrive at the trucking industry could survive a tax like this. I think of all the people in the trucking industry—I think the truckers have tightened their belts. We say that we are wanting to hold inflation down. We have held inflation down. We've been very efficient and yet, Steve, out of all of them we're the ones that are really getting taxed. If the trucking industry was that lucrative, you wouldn't have the bankruptcy rate that you have in the country today. Believe me, unless something is worked out, you're not going to have trucks. They're not going to survive.

Senator Symms. Thank you very much. I'll share that testimony. I guess that puts it about as bluntly as can be put. Just one question, Jack. Is the bridge open now?

Mr. Buell. Yes; it is.

Senator Symms. Good. At least that's one headache you don't have to worry about.

Phil Driesbach, are you related to the musician here?

Mr. Driesbach. Cousin.

Senator Symms. If you can run trucks as well as he can play music, you're pretty good.

STATEMENT OF PHIL DRIESBACH, LOGGING SUPERINTENDENT, DIAMOND INTERNATIONAL

Mr. Driesbach. I'm afraid not. Thank you, Senator.

My name is Phil Driesbach. I'm logging superintendent for Diamond International. I'm also a member of the Intermountain Logging Conference. My testimony today is a resolution adopted by the Logging Conference in 1983. If I may, I'll read that resolution.

Resolution No. 3, Trucking Tax Relief:

Whereas the forest products industry and the intermountain region is totally dependent on the trucking industry. And whereas the trucking industry has expertise substantial—or has experienced substantial increases recently in cost of fuel, tires, parts, and insurance. Whereas additional increases in taxation as a result of the Surface Transportation Act of '82 recently enacted by the Lame Duck Session of the 93d Congress will place a further burden on the trucking industry.

Now, therefore be it resolved that the members of the 45th Intermountain Logging Conference respectfully urge Congress to review and consider amending the Surface Transportation Assistance Act of '82 to reduce the tax or extend the phase incurred for ten years. 45th Intermountain Logging Conference, Spokane, Washington, April 9, 1983.

Senator Symms. Thank you very much. Can we have that copy?

Mr. Driesbach. I think I gave you a copy.

Senator Symms. We need a copy for our reporter here. I appreciate it. Thank you.

Did that complete your testimony, Phil?

Mr. Driesbach. Yes; it did.

Senator Symms. I didn't mean to cut you short.

Mr. Littlefield. Thank you, Senator.

Senator Symms. We had you scheduled first, but we're going to let you go last.

STATEMENT OF BRAD J. LITTLEFIELD, LOUISIANA PACIFIC, CORP.

Mr. LITTLEFIELD. I asked Sandy to schedule me in the afternoon, and evidently there isn't an afternoon. I'm the one from the far north, evidently.

My name is Brad Littlefield. I work for Louisiana-Pacific. I'm also first vice president of the Idaho Homeowner Transport Association.

On November 11, 1982, President Reagan was quoted as saying:

> What we're talking about here is . . . that if we do it, it is a, it would be a user fee, dedicated to the rebuilding of our highways and bridges. This is a problem that must be met sooner or later.

Prior to Christmas recess, 1982, the Congress of the United States passed legislation touted as a "gas tax increase: to repair the highways and create jobs." The administration, the Congress, and the press did not report the true intention of this legislation. This legislation levies a heavy ownership tax on large trucks and removes it from smaller trucks and totally disregards automobiles. It is my contention this system of taxation is wrong.

There is no argument about the need for more money for roads and bridges. There is no argument about the fact it should come from user fees. It is apparent; however, that this is not what we have received. What we have received is an increase of 800 percent in the Federal use tax, a modest increase in the fuel tax rate, and a juggle of the other related taxes.

The impact of the tax structure implemented by the STAA on the trucking industry has been to add a larger fixed overhead cost to doing business. The use fee increase of 800 percent along with the increase in manufacturers' excise tax lay upon the industry a heavy burden.

Example: The excise tax on a new log truck and trailer would be approximately $9,600. This tax comes at a time when the industry is having a hard enough time. Add to this the use tax of $1,520 per year and you have a tax burden of $2,891 per year. And that's with the $9,600 amortized over 7 years plus the $1,520. These must be paid just to purchase the truck and use it even if only for a short period of time.

The productivity gained by the STAA has thus far been minimal; in fact, in some States, such as Idaho, it has resulted in some loss due to changes in vehicle size. Never should we be going backward. I can agree to the setting of some minimums, but to take away or restrict what works in some areas is asinine. I feel we should not make restrictions which would inhibit the application of new technology, nor should we restrict the application of more efficient vehicles in States which desire to allow them. Most of the Western States allow larger combinations by permit than allowed by the Federal Government. The door should be opened for freedom of movement of these vehicles. It is also a known fact that many States are refusing to recognize these new standards, which have hampered many to realize any gains from the STAA.

There have been numberous studies regarding the effect of increased sizes and weights on roads and bridges. I am not qualified to judge which are sound and which are not. However, the bridge formula and the off-track formulas worked up and studied by Western Highway Institute seem to make the most sense. In these formulas they are saying here is what causes the problems, and by using these formulas we are minimizing the bad effects. We must all remember the Interstate Highway System was built to carry tremendous loads. I doubt if we have ever fully used the highway according to the design constraints. By using the two above formulas and choosing what maximum the States deem reasonable and prudent, we should best be able to realize the best use of our highways. Reasonable access should again be determined by these formulas and in the States wishing to disallow the use of the minimum regulation reasonable access must be provided for fuel and other support services as well as access to terminals.

H.R. 2124 appears to be the best alternative to the use tax and excise tax. This would be a pay as you go tax, allowing the operators to use their revenues to pay the tax. The use tax, on the other hand, amounts to a personal property tax applied only to a few people. I believe the larger vehicles should and will pay their way as long as it's fair.

Senator SYMMS. Thank you very much.

I want to thank all the witnesses that testified today for their assistance in helping us develop a record that will be very helpful to both the Environment and Public Works Committee, which has the responsibility for the highway program, and the Finance Committee which has a responsibility to raise the revenue to pay for the highway program. So, I thank all witnesses. I think you've made a very good case.

I might mention, I mentioned earlier, that Representative Dean Hagenson was here. I understand State Representative Bob Scates is here. Glad to have you here. And State Representative Hilde from Post Falls is here.

Mr. JESSER. Hilde-Kellogg.

Senator SYMMS. Hilde-Kellogg. I was going to say State Representative Hilde from Kellogg. Excuse me. But I think she's here also. So, we're glad to have them.

Yesterday in Boise, the chairman of the transportation committee from the Idaho House, John Sessions was in attendance. So, we're happy to work with the State on these problems and work with your industry and others, to try to see that some resolution can be reached that will be beneficial to all.

If there's no one else here that wishes to testify, the committee stands in recess. I thank you all.

[Whereupon at 12:30 p.m. the subcommittee adjourned to reconvene at the call of the Chair.]

[Statements submitted for the record follow:]

NON-PROFIT: SERVING EASTERN WASHINGTON AND NORTHERN IDAHO MOTORISTS SINCE 1912

AAA INLAND AUTOMOBILE ASSOCIATION

WEST 1717 FOURTH AVENUE
TAF-C18
SPOKANE WASHINGTON 99220
TELEPHONE (509) 455-3400

TESTIMONY PRESENTED

by

DALE F. STEDMAN

PRESIDENT, INLAND AUTOMOBILE ASSOCIATION

and

DIRECTOR, AMERICAN AUTOMOBILE ASSOCIATION

to

TRANSPORTATION SUBCOMMITTEE

of the

SENATE COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS

at

COEUR D'ALENE, IDAHO

AUGUST 23, 1983

OFFICERS AND EXECUTIVE COMMITTEE DONALD L SCHOEDEL Chairman • ROBERT A DEWEY Vice Chairman • TERRANCE J DOBSON Vice Chairman • FRED A KNUTSEN Treasurer
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DALE F STEDMAN President

Mr. Chairman, I am Dale Stedman, President of the Inland Automobile Association, the AAA organization for Northern Idaho and Eastern Washington, and a Director of the American Automobile Association, an organization of 23-million North American members.

We appreciate this opportunity to comment on some of the issues the Committee has before it dealing with possible changes in application of taxes and other portions of the Surface Transportation Assistance Act of 1982 (STAA). Our comments will be restricted to the matters of legislative proposals introduced by Members of the House and Senate which would alter the tax structure in the STAA; to the effect of increased truck sizes and weights on the condition of roads and bridges and to what extent reasonable access should be permitted; and on the Department of Transportation's preliminary report on alternative tax structures.

First, Mr. Chairman, we would say that we have no quarrel with the idea of adjustments in the application of Federal fuel and other road use taxes. If the taxes mandated in the STAA of 1982 are unjust, changes should be considered. If one class of vehicle is being asked to pay more than its appropriate share of the costs of building and maintaining our highway, road and street system, then changes should be considered. We believe equity in tax application is the proper way to go. It is certainly clear that if the tax levels projected by the schedules of the STAA of 1982 are to be met, any downward adjustment for one class of vehicle will mean increases for the others. This, of course, is where our concerns begin.

As to the legislative proposals introduced in both the House and Senate to alter the tax structure, we tend to feel these proposals are premature in-as-much as the Department of Transportation is well into a study mandated by the STAA of 1982 to look at alternatives to the heavy truck tax schedules which are set for 1984. Too, the Department of Transportation, through Secretary Elizabeth Dole, has urged that no action on modifying taxes be taken until the study results can be considered, and other top Administrative staff have indicated that after careful study of the proposals introduced, the DOT would oppose them for several reasons, including the belief that early study results do not support the contentions of the legislation.

The DOT contends, properly we believe, that proposals introduced in the House and Senate would shift away from equitable taxation rather than move toward equity. Light combination and single unit trucks, which already pay more than their share of highway costs, would be given an even greater obligation in H.R. 2124.

AAA's National Highway Department staff has calculated that to replace the use tax of the STAA of 1982, a diesel fuel tax increase of seven cents (7¢) per gallon would be needed, with rebates to all vehicles less than 26,000 pounds to maintain reasonable equity among truck classes.

How much of our Federal and state highway costs the very largest and heaviest trucks should pay has been an unresolved issue for many years. It has been our understanding that the STAA of 1982 was a serious attempt to more equitably assign those cost obligations, even though the original Administration bill would have asked even more of the very large trucks than the adopted bill finally asked. In-as-much as recent studies, including the Congressional Cost Allocation Study reported to Congress in May, 1982, reveal that passenger cars are paying at or slightly more than their appropriate share of the costs under the 1982 Act, if big trucks are going to pay less, the other truck classes, already paying more than their share, are going to have to pay more. Since the large combination trucks represent only 3.6 percent of all trucks on the road, and less than 1% of all motor vehicles, there would need to be some very strong evidence to support increasing other vehicle taxes to allow a decrease in big truck taxes.

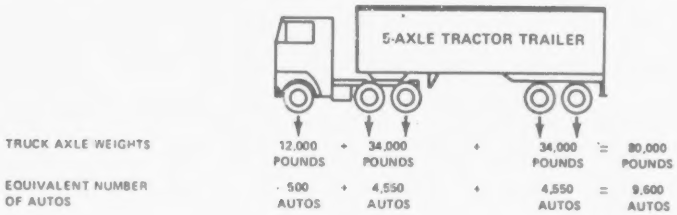
The issue of the effect of increased truck sizes and weights on the condition of roads and bridges and to what extent reasonable access should be permitted gives us great concern.

The effect of the big trucks on road conditions is well argued in the July, 1979 report to Congress by the Comptroller General of the United State entitled: EXCESSIVE TRUCK WEIGHT: AN EXPENSIVE

BURDEN WE CAN NO LONGER SUPPORT. Particularly significant in that report was Chapter 3, titled: IMPACT OF HEAVY AND OVERWEIGHT TRUCKS ON HIGHWAY DETERIORATION AND SAFETY.

Chapter 3 included this: "....Although a five-axle tractor-trailer loaded to the current 80,000-pound Federal weight limit weighs about the same as 20 automobiles, the impact of the tractor-trailer is dramatically higher. Based on Association data (American Association of State Highway and Transportation Officials), and confirmed by its officials, such a tractor-trailer has the same impact on an interstate highway as at least 9,600 automobiles as shown below..." (emphasis added).

EQUIVALENT DAMAGE CAUSED BY LOADED
5-AXLE TRACTOR TRAILER


5-AXLE TRACTOR TRAILER
TRUCK AXLE WEIGHTS
12,000 POUNDS + 34,000 POUNDS + 34,000 POUNDS = 80,000 POUNDS
EQUIVALENT NUMBER OF AUTOS
500 AUTOS + 4,550 AUTOS + 4,550 AUTOS = 9,600 AUTOS

We see that level of impact as adequate justification for large trucks to be viewed as "special cases" which should not be allowed to use roads and streets for which they were never designed. We believe safety and the general welfare of the 96% of road users that are not truckers to take precedent over the concerns of commerce.

We see the widest and heaviest combination trucks as presenting major safety and damage potential in the urban areas and in small communities under the STAA of 1982 requirement of reasonable access. Access roads and streets with traffic lanes of less than 12 feet width and never built with the big trucks in mind should not be exposed to the big trucks. Again, why should 99% of the road users be inflicted with problems that only 1% of the users create? As late as January 1, 1982, Idaho had more than 400 miles of its rural Federal primary system rated as having travel lanes of less than 12 feet in width. Washington State listed more than 3500 miles of rural primary system roads with lane widths rated at less than 12 feet. (see attached chart A)

Last month, July, 1983, the Department of Transportation released a preliminary report on alternative tax structures to those included in the Surface Transportation Assistance Act of 1982. We have been able to review this material and are impressed with the data which shows that tax formulas enacted in STAA of 1982 place higher user fee obligations than are warranted on single unit trucks, pickups/vans, and passenger cars. Combination trucks, as a group and specifically those over 70,000 pounds, are shown to be paying considerably less than their cost responsibility, even when all enacted taxes are in place (see reproduced table II-4 on the next page).

Table II-4

RATIO OF USER FEES PAID TO THE ALLOCATED COST RESPONSIBILITY OF THE FEDERAL HIGHWAY TRUST FUND PROGRAMS 1/

In 1985

Vehicle Class	Pre-1982* Law	Administration Proposal	Enacted in STAA of 1982
Autos and Motorcycles	.91	1.01	1.05
Intercity Buses	0	0	.00
Other Buses	0	0	.00
Pickups/Vans	1.14	1.12	1.16
Other Single Units	2.02	1.10	1.17
Combinations	.85	.92	.84
Under 70,000 pounds	(1.30)	(1.10)	(1.15)
70,000 to 75,000 pounds	(.83)	(.94)	(.87)
Over 75,000 pounds	(.63)	(.83)	(.68)
All Vehicles	1.00	1.00	1.00

1/ Costs were normalized to the total revenue level of the tax structure. Allocated costs include both highway and transit costs. Highway costs were allocated on the basis of the Federal highway cost allocation study and transit costs on the basis of urban travel by vehicle class.

* Adjusted ratios based on Treasury revenue forecasts in 1983.

The DOT preliminary report lists several alternatives (options) in the diesel tax area. We would encourage the Committee to give special consideration to those options which appear to offer positive results without materially reducing the projected revenues of STAA of 1982. We would particularly urge recognition of the need for an equitable distribution of cost obligations among the several classes of vehicles.

Generally speaking, Mr. Chairman, the passenger car and the truck have mixed reasonably well here in the West. To some degree this can be attributed to the reasonable attitude of each vehicle class owner to cost obligations and safety considerations. We would hope that spirit of reasonableness will continue.

Thank you for the opportunity to comment on these important matters.

A

EXISTING FEDERAL-AID HIGHWAY SYSTEMS - 1981

MILEAGE CLASSIFIED BY LANE WIDTH

MILEAGE AS OF DECEMBER 31, 1981 COMPILED
FROM REPORTS OF STATE AUTHORITIES

TABLE HM-33
SHEET 1 OF 2
SEPTEMBER 1982

STATE	INTERSTATE SYSTEM 2/								FEDERAL-AID PRIMARY SYSTEM 3/															TOTAL FEDERAL-AID PRIMARY SYSTEM INCLUDING INTERSTATE
	RURAL MILEAGE				URBAN MILEAGE				RURAL MILEAGE							URBAN MILEAGE							
	LANE WIDTH IN FEET			TOTAL	LANE WIDTH IN FEET			TOTAL	LANE WIDTH IN FEET						TOTAL	LANE WIDTH IN FEET						TOTAL	
	< 12	12	> 12		< 12	12	> 12		< 9	9	10	11	12	> 12		< 9	9	10	11	12	> 12		
ALABAMA	-	643	-	643	-	182	-	182	-	269	2,277	1,755	1,622	2	5,925	-	6	121	194	400	17	698	7,448
ALASKA 1/	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ARIZONA	-	1,029	-	1,029	-	107	-	107	-	-	49	74	2,753	452	3,328	-	-	1	-	136	11	148	4,612
ARKANSAS 3/	-	428	-	428	-	104	-	104	-	-	1,484	1,689	1,460	-	4,633	-	7	24	84	372	-	487	5,652
CALIFORNIA 1/	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
COLORADO	72	637	88	797	4	105	1	110	-	23	106	1,192	2,444	165	4,010	-	1	26	75	176	17	295	5,212
CONNECTICUT	-	79	1	80	9	198	6	213	8	17	110	74	490	74	773	6	6	109	26	351	32	530	1,596
DELAWARE	-	7	-	7	-	33	1	34	-	-	32	50	266	1	349	-	-	2	10	49	14	75	465
DIST. OF COL. 1/	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FLORIDA	-	913	9	922	-	327	8	335	-	116	1,301	776	3,830	157	6,180	3	24	211	164	1,432	510	2,342	9,779
GEORGIA	-	907	24	931	-	218	14	232	94	20	1,497	1,163	5,513	703	8,950	4	11	71	140	574	446	1,246	11,359
HAWAII	-	12	1	13	-	24	-	24	9	9	102	77	236	3	436	-	-	4	7	53	3	67	540
IDAHO	-	522	29	551	-	51	-	51	-	9	123	280	2,138	9	2,567	-	-	5	1	32	1	39	3,208
ILLINOIS	-	1,205	4	1,209	1	418	-	419	71	799	365	1,351	5,146	194	7,926	10	22	236	176	1,226	71	1,741	11,375
INDIANA	-	855	-	855	-	259	-	259	7	164	360	794	2,711	168	4,212	-	4	54	152	453	89	752	6,078
IOWA	-	592	64	656	-	88	39	127	8	449	827	1,514	4,971	433	8,202	5	16	23	31	390	204	669	9,654
KANSAS	-	672	-	672	4	130	-	134	-	-	35	661	7,114	-	7,810	3	-	10	44	248	-	305	8,921
KENTUCKY	-	597	-	597	-	140	-	140	-	697	645	455	1,519	19	3,335	-	1	52	46	269	19	387	4,459
LOUISIANA	-	536	-	536	-	126	-	126	-	-	66	469	2,201	-	2,736	-	2	31	44	283	-	360	3,758
MAINE 3/	-	200	-	200	-	30	-	30	-	65	433	588	703	50	1,839	-	-	8	13	96	41	158	2,227
MARYLAND 3/	-	201	-	201	3	175	2	180	2	9	143	257	1,274	65	1,750	1	2	17	64	230	46	360	2,491
MASSACHUSETTS 3/	1	170	11	182	-	293	54	347	3	3	64	113	555	348	1,086	1	4	63	38	394	617	1,117	2,732
MICHIGAN	-	714	-	714	-	415	-	415	-	-	466	767	3,297	149	4,679	-	8	127	198	700	213	1,246	7,054
MINNESOTA	-	696	-	696	-	171	-	171	-	9	790	1,174	6,799	-	8,772	-	-	15	29	434	-	478	10,117
MISSISSIPPI 1/	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
MISSOURI 1/	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
MONTANA	-	1,078	-	1,078	-	42	-	42	-	33	965	295	3,890	178	5,361	-	1	4	2	76	14	97	6,578
NEBRASKA	-	444	3	447	-	31	3	34	-	11	106	869	5,190	826	7,002	-	-	26	20	169	45	260	7,743
NEVADA	1	505	-	506	-	28	-	28	-	-	-	1	1,006	15	1,022	-	-	-	-	23	-	23	1,579
NEW HAMPSHIRE	-	163	-	163	-	39	-	39	1	24	81	90	792	28	1,016	-	3	31	3	63	34	134	1,352
NEW JERSEY	-	115	-	115	-	224	-	224	-	-	527	18	307	5	857	1	2	119	114	313	33	583	1,779
NEW MEXICO	-	916	-	916	-	81	-	81	-	-	741	511	2,060	73	3,385	-	-	4	3	140	13	160	4,542
NEW YORK 3/	-	822	38	860	10	531	11	552	15	123	1,603	1,490	2,884	383	6,498	-	12	145	225	1,236	238	1,856	9,766
NORTH CAROLINA	-	628	-	628	-	140	-	140	6	261	569	728	2,227	-	3,791	-	12	7	53	452	-	524	5,083
NORTH DAKOTA	-	536	-	536	-	25	10	35	-	-	-	994	3,897	578	5,469	-	-	2	6	78	40	126	6,166
OHIO 3/	-	881	-	881	3	644	7	654	1	261	816	869	3,066	95	4,008	3	19	227	43	1,003	234	1,529	7,072
OKLAHOMA 1/	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OREGON	-	502	4	506	-	117	-	117	-	-	656	697	3,258	63	4,674	-	1	16	48	223	14	302	5,599
PENNSYLVANIA	-	1,173	5	1,178	5	319	5	329	60	1,298	2,002	2,198	2,464	49	8,071	2	46	200	413	981	190	1,832	11,410
RHODE ISLAND 1/	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SOUTH CAROLINA 1/	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SOUTH DAKOTA	-	620	-	620	-	36	-	36	-	37	281	248	4,928	239	5,733	-	-	7	5	68	37	117	6,506
TENNESSEE	-	833	2	835	-	159	39	198	20	362	650	2,033	2,029	4	5,098	-	-	24	181	372	34	611	6,742
TEXAS 3/	2	2,294	-	2,296	-	836	11	847	56	48	451	1,821	7,325	5,318	15,019	-	5	23	90	1,322	132	1,572	19,734
UTAH	-	678	3	681	-	98	1	99	-	-	5	76	2,407	10	2,498	-	-	-	1	67	-	68	3,346
VERMONT 3/	-	302	-	302	-	7	-	7	-	11	161	496	317	66	1,051	-	-	5	5	25	12	47	1,407
VIRGINIA 3/	2	791	3	796	4	190	10	204	47	216	2,836	841	821	179	4,940	-	22	92	53	166	112	445	6,385
WASHINGTON	5	455	-	460	-	219	4	223	-	9	969	2,562	907	22	4,469	1	1	43	102	368	15	530	5,682
WEST VIRGINIA	-	317	4	321	-	69	-	69	111	605	643	408	480	6	2,253	1	2	35	21	117	1	177	2,820
WISCONSIN	-	474	-	474	-	103	1	104	-	-	640	3,511	3,819	116	8,086	-	1	40	211	546	93	891	9,555
WYOMING	-	874	-	874	-	39	-	39	-	-	84	321	2,151	135	2,691	-	17	2	1	34	13	67	3,671
TOTAL	83	27,256	293	27,632	43	7,571	227	7,841	487	5,957	26,149	36,050	114,267	11,308	194,298	41	289	2,342	3,004	16,062	3,671	25,459	255,230
PERCENT/SYSTEM	0.3	98.6	1.1	100.0	0.5	96.6	2.9	100.0	0.3	3.1	13.5	18.6	58.8	5.9	100.0	0.2	1.0	9.2	12.1	63.1	14.4	100.0	-

AUTO CLUB AAA WASHINGTON

330 Sixth Avenue North Seattle, Washington 98109 Telephone (206) 292-5353

TESTIMONY OF

PAUL G. HERRON
EXECUTIVE VICE PRESIDENT

AUTOMOBILE CLUB OF WASHINGTON (AAA)

Submitted to

SENATE COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
TRANSPORTATION SUBCOMMITTEE

COEUR D'ALENE, IDAHO

August 23, 1983

TESTIMONY OF
PAUL G. HERRON, EXECUTIVE VICE PRESIDENT
AUTOMOBILE CLUB OF WASHINGTON

The Automobile Club of Washington is an affiliate of the American Automobile Association (AAA) and serves over 283,000 members in western and central Washington. On behalf of our members and the general motoring public, we appreciate this opportunity to comment on the Surface Transportation Assistance Act of 1982 (STAA).

First, to comment on the legislative proposal to alter the tax structure in the STAA. HB 2124 is proposed as an attempt to provide a fair tax structure system while remaining "revenue neutral". It actually works to the disservice of the highway user tax structure by degrading both its equity and fairness.

The concept may be laudable to increase the diesel fuel tax as an alternative to the heavy vehicle user tax and thus place truckers on a "pay-as-you-go" basis. But this proposal would not appear to satisfy this objective. Two factors, weight and distance, must be considered in determining the fairness of highway user fees. For vehicles using diesel fuel, this bill would increase the impact of distance traveled but would substantially decrease the contribution of the weight factors. Since vehicle weight has a major impact on the construction, maintenance and deterioration of our highways, any substantial reduction in highway user fees more than offsets any improvements in equity that might be gained from this diesel fuel tax increase.

The AAA believes that HB 2124 is not revenue neutral and will shift the burden to lighter trucks. AAA further believes that if Congress does increase diesel fuel taxes, then basic fairness and budgetary needs should dictate that the tax be increased at least enough to recover the revenue that would have been raised by the heavy vehicle use tax, and that exemptions would be essential for diesel-powered automobiles, pickup trucks and vans. It should be pointed out that substantial increases in axle or gross weights brings about only marginal increases in fuel consumption and resultant tax payments. It would appear that the proposed increases of 3 cents in 1983 and 2 cents more in 1984 in HB 2124 are not adequate. Calculations prepared by the Highway Department of National AAA would indicate that replacing the use tax in 1985 would require a diesel fuel tax increase of 7 cents per gallon, with rebates to all vehicles less than 26,000 pounds. By 1989, it would require an additional 1 cent per gallon tax to replace the added use taxes that are scheduled to go into effect then. This would mean the total diesel fuel tax on heavy trucks would need to be 16 cents per gallon in 1985 and 17 cents per gallon in 1989.

An alternative proposal would be to consider a weight-distance tax, a mileage tax that is assessed on each mile a truck travels, with the rate based on a truck's registered gross vehicle weight. This is distinctly different from a ton-mile tax which is based on the actual loaded or empty weight of a truck on each trip it makes. Neither fuel taxes nor vehicle registration fees can truly reflect the cost responsibilities of vehicles having different sizes and weights. AAA believes that the only way that heavy motor vehicles can be equitably charged for their highway cost responsibilities is to have a tax based on weight and distance traveled.

I would next like to comment on the safety aspects of allowing longer, wider trucks mandated by the STAA on our nation's highways. First, it should be stated that the AAA believes that safety should always take precedence over the desires of commerce. Large trucks should never be allowed to use roads for which they were not designed, regardless of the alleged economic justification. The STAA states the intent of Congress not to jeopardize public safety by directing the Secretary to designate only Federal-aid Primary System highways that are capable of safely accommodating them. Our concern is that as both urban and rural roads are opened to these large trucks, at least some of them could begin operating on roads for which they were never designed and which could not safely accommodate them. For these reasons, exemptions should be allowed on segments of both the Federal-Aid Primary System and the Interstate System not capable of safely accommodating large trucks.

The STAA also virtually sets 102 inches (8½ feet) as the width standard for commercial motor vehicles. From the standpoint of safety the AAA is concerned with the potential for inclusion in the final designation of route mileage those travel lanes of less than 12 feet. In the state of Washington the lane width of some 79% (3540 of 4469 miles) of the rural mileage in the Federal-Aid Primary System is classified as being less than 12 feet (see Chart A attached). Allowing widths of 102 inches on travel lanes of less than 12 feet would be a serious error, in our viewpoint, greatly contributing to hazardous and stressful driving conditions.

Another concern over this Act is that it attempts to achieve national uniformity in truck combination trailer lengths by establishing Federal minimum limits rather than maximum limits. This only tends to exacerbate the non-uniformity problems. Several state legislatures have already approved varying semi-trailer lengths which exceed 48 feet, which further compounds the problem. If this trend continues, the concept of "barrier states" will again reappear, generating pressure to further liberalize minimums to attain the largest sizes and weights permitted by any state or group of states. AAA therefore, believes that maximum lengths should be required as well as minimums, just as the law sets a maximum for axle weights, gross weight and width.

In closing, we acknowledge the value of the trucking industry to commerce but want to emphasize that large combination trucks are specialized vehicles performing specialized services and therefore do not belong on every road in the country. They should belong only on those roads that can safely accommodate them.

We appreciate this opportunity to comment on these important matters.

Senate Committee on Enviroment & Public Works
Transportation Subcommittee
Field Hearing
Coeur d' Alene
August 23, 1983

My name is Jack Abel. I am the safety supervisor and license manager for Zirbel Transport, Inc., and Wood By Products, Inc., Located in Lewiston, Idaho. The two companies operate 105 power units and 145 trailers. The combined gross weight of each of these units is 80,000. We operate in 11 western states and British Columbia. Wood By Products hauls wood residuals, Re; sawdust, chips, shavings and hogged fuel. Zirbel Transport hauls general freight, mostly lumber, steel and machinery.

As a member of the trucking industry, I would like to address the impact of the tax structure implemented by the Surface Transportation Assistance Act of 1982. It has been said before, but it needs said again, to impose an annual fee of $1600.00 to $1900.00, coupled with the increase in taxes on tires and the increase taxes on fuel, amounts to another $1100.00 to $1400.00 per year. This totals an increase of up to $3000.00 per year per truck. That is more than our entire profit for a truck in a year. The impact is CERTAIN BANKRUPTCY!!

There is one other thing called fair competition. You may be inclined to believe that a trucking company's real competitor is other trucking companies. Such is not the case. Trucking companies, while to a degree may compete with other trucking companies, but in reality, they help each other carry the tax burden for highways and related items. So they are in reality helpers as well as mild competitors. The trucking industries real vicious competitor is the railroad. The railroad sets the rates and has been successful in arranging the tax load. At the same time the fact that the proposed tax load is heavier than the trucking industry can bear. The federal government is making the load lighter for this competitor, the railroad, benefits for the railroad and burdens for the trucks. More mergers are approved, railroads are now permitted to engage in truck and barge operations almost without restraint. The railroad pension plans, found inadaquate as funded by the railroads are now given huge assists. The list goes on and on. The bottom line is, the millions of tax dollars funding railroad welfare makes the trucking burden that much heavier; two ways, a stronger competitor, and more expenses for trucks.

The committee asked for the productivity gains experienced by the trucking industry as a result of the increase truck size and weight provisions in the Surface Transportation Assistance Act. As far as we are concerned, effective July 1, 1983, our weight limits were reduced "to comply with Federal Regulations". July 1, 1983, The State of Idaho rescinded the 1000 pound tolerance above 80,000 pounds gross. Until July 1, 1983, we could load to 80,000 pounds gross, 37,800 pounds per tandum and not be cited for overweight until the gross weight exceeded 81,000 pounds. After July 1, 1983, due to the Surface Transportation Assistance Act, any vehicle over 80,000 pounds could be cited for being overweight in The State of Idaho. In the other states we operate in the laws were already 80,000 gross. The federal limits are 80,000 pounds gross, 34,000 pounds per tandum, leaving the need to load 12,000 pounds on the steering axle. This is not a desireable situation. The changes in the length and width laws have not benefitted us. These changes have not given us any extra, except for less than about 5% of our hauling, where we could use more cubic load space, we can overload any of the equipment we are now operating.

For me to comment on proposals to alter the STAA. I can only say it was a poor piece of legislation when it was passed. Truckers and the American Trucking Association wrote letters, and tried in every way known to them to stop the passage of this bill. Senator Jesse Helms did everything in his power to stop the bill from passing, but he was not successful. This law should be repealed and a bill drafted to support the highways by the users of the highways. Cut out the fat cat spending by the federal highway administration and finally let the people who use the railroads, communter trains and rapid transit systems pay for what benefits them. I don't believe it is the resnosibility of the trucking industry to pay for something not beneficial to the trucking industry. We have enough load to carry. If I want to go some place, I buy a car, buy a license for it, buy some gasoline to power it and drive it to the place I want to go. I pay taxes on the price of the car, the license, the driver's license, the gasoline. I then pay for a place to park the car and if it is damaged or vandalized, I pay to have it repaired or pay insurance premiums to protect my investment. I believe it is every American's right and resposibility to do this, I also believe it is not the resposibility of any single group of people to support and supply transportation for the entire population of the metropolitan areas. All of the things saidhere today has been said before at meeting similar to this one, before the passage of the Surface Transportation Assistance Act of 1982. I only hope some of the pleading from this meeting is heard by our elected officials. There is no way the trucking industry can survive with this extreme tax burden. The freight will be moved, but not by tax paying trucks. There should be some consideration given to the impact on the employment work force. the reduction of drivers, mechanics, bookkeepers, warehousemen, service station attendants, waitresses, equipment manufacturereres, the list goes on and on.

To digress for a moment longer. It is an accepted fact in most quarters, the most sought after element to correct unemployment is more employment. It is needless to call to the attention of you ladies and gentlemen that there is almost no recovery for our economic slowdown without high employment. I respectfully call to your attention that the ratio of labor to total cost of transportation is very much higher for trucks than for any other form of surface transportation. Boiled down, if employment is as important as I believe it is, then not reducing the percentage of total freight moved by trucks should be very high on the agenda. The bottom line, "It takes more labor to haul a ton of freight a mile by truck than by any other known means". Hence -- More employment.

Thank-you

TESTIMONY ON THE SURFACE TRANSPORTATION
ASSISTANCE ACT OF 1982
FOR POTLATCH CORPORATION
COEUR D' ALENE, AUGUST 23, 1983

Senator Symms and committee, my name is Bill Mulligan. I am Logging Manager for Potlatch Corporation at St. Maries, Idaho. I will present testimony this morning for Potlatch Corporation.

We are a Corporation that depends heavily on trucking for the transportation of raw materials, residual mill products, and finished manufactured products to the consumer. My expertise is within the area of raw material movement or log transportation. Within our Idaho operations we operate between 200 and 250 log trucks on a daily basis, with a mixture of company and contract trucks involved. Each day we also send a fleet of trucks to haul chips, sawdust, fuel, lumber, plywood, and various other finished products. Trucks are an absolute essential part of our business, and without them operations at Potlatch Corporation would quickly grind to a stop.

As you are aware, Senator, we are an industry that has been racked by high interest rates, poor markets, and severe problems with adequate natural resource supply assurance to conduct a economically healthy business in recent years. We are an industry that has suffered as much as anyone through the depressed economical times, and yet endured. We must be very concerned over issues that will effect our ability to operate our business at a good cost, and therefore are here today to provide our input.

We are on record previously as supporting increased funding to repair the highways of the Nation. We testified so during preparation of the Surface Transportation Assistance Act of 1982. We still feel this way, but support the concept of a bill like the proposed H.R. 2124 to collect levels of funding necessary to accomplish this goal in a more equitable manner.

We do not believe a system designed, as with S.T.A.A., to collect funding from the sale of trucks, trailers, tires, and from a heavy vehicle use tax is an equitable method. We feel this method places an unfair burden on a business where much of the truck use is on unsurfaced private road systems, with short operating seasons, very cyclical markets; and that depends heavily on the availability of spare trucks and specialty units, like dump trucks, that may operate only a few months per year. To us, the only fair, easy way to collect revenue necessary to properly maintain the highway system is through the use of a fuel tax, as proposed by H.R. 2124. This system would fall in line with the traditional "pay as you go" concept of the trucking industry, and would leave all parties involved; the Government, the trucking industry, and the distributers of trucks and truck supplies with out the burden of complex administrative record requirements.

We would also like to note that we prefer the straight fuel tax to the often mentioned ton-mile tax in any proposal to correct the S.T.A.A.. The fuel tax would effectively distributed the tax burden on a per mile usage basis to the heavier vehicles as they have the largest fuel consumption on a per mile basis. It is not necessary to use the ton mile basis to make this allocation to heavier vehicles. The fuel tax would be much easier to collect, administer, and audit than a ton-mile tax.

We thank you, Senator, for the opportunity to testify at these proceedings; and hope you are successful in correcting the problems of the S.T.A.A. with a more equitable piece of legislation.

STATE OF CALIFORNIA—BUSINESS, TRANSPORTATION AND HOUSING AGENCY GEORGE DEUKMEJIAN, Governor

DEPARTMENT OF TRANSPORTATION
OFFICE OF DIRECTOR
1120 N STREET
SACRAMENTO, CALIFORNIA 95814
(916) 445-2201

September 22, 1983

Honorable Steve Symms, Chairman
Senate Subcommittee on Transportation
Committee on Environment and Public Works
312 SDOB
Washington, D.C. 20510

Dear Senator Symms:

I would like to take this opportunity to offer comments to be entered into the record of the field hearings held in Idaho August 22 and 23 concerning the effects of the 1982 Surface Transportation Assistance Act concerning truck standards and taxes.

The enclosed comments on the Department of Transportation's working paper on alternatives to tax on use of heavy trucks expresses our concerns relative to truck taxes and specifically on the working paper alternatives. As expressed in that paper, one of our major objectives on truck taxes is to equate taxing with cost responsibility. Also, it is requested that consideration be given to hold off on additional legislation for truck taxes until completion of the Department of Transportation study and a parallel study being conducted by the American Association of State Highway and Transportation Officials, both of which are scheduled for completion in December 1983.

With regard to offering reasonable access to those trucks that operate on the system of highways designated by the Secretary of Transportation pursuant to the 1982 STAA, our recommendation is that the interpretation and implementation of reasonable access be left to the states. California has already dealt with the reasonable access issue through legislation signed into law in our 1983 legislative session.

Sincerely,

Leo J. Trombatore

LEO J. TROMBATORE
Director of Transportation

Enclosure

cc: Francis Francois - AASHTO
Bruce Cannon - FHWA
R. A. Barnhart - FHWA

CALIFORNIA DEPARTMENT OF TRANSPORTATION

Comments on the U.S. Department of Transportation Working Paper on Alternatives to Tax On Use of Heavy Trucks, Dated July 1983

THE STUDY

The working paper addresses alternatives to the Federal heavy truck use tax. This study was mandated by Section 513(g) of the Surface Transportation Assistance Act of 1982. The paper analyzes alternatives to the present heavy truck use tax in terms of the Federal government's goals of tax equity, maintenance of adequate highway revenue, administrative feasibility and compliance and enforcement effectiveness. Nine options are analyzed.

COST RESPONSIBILITY

One of the key goals of a user tax system should be equity. In order to achieve equity, it is essential that the various classes of vehicles be taxed in accord with their cost responsibility. The tax revenues generated by heavy combination vehicles continue to be less than their cost responsibility with the current STAA heavy vehicle use tax and with the options advanced in the working paper using the hypothetical rates.

As reflected in the Federal Highway Cost Allocation Study, according to results of the AASHTO Road Test, completed in 1962, the damage of pavement due to axle loads increases exponentially to the 4.2 and 4.35 power of axle loads for asphalt and concrete pavements, respectively. In other words, increases in the allowable axle loads from 13 to 20 kips in 1976 meant about a 12% increase in allowable axle loads while increasing damage potential to flexible pavement over 50% and concrete pavement nearly 60%.

We know from experience and simple observation that it is the trucks that do the damage to pavement. It does not take a scientist nor an engineer to see the clear evidence in the comparative deterioration of pavement between the interior passing lanes and the exterior truck lanes of multilane freeways.

A comparison has been made between two freeways in the San Francisco Bay region. Comparable segments of these two freeways, Interstate 580 in Oakland and Interstate 680 in Alameda and Contra Costa Counties, were constructed in the early 1960's. The I-580 segment in Oakland has always banned trucks, whereas the I-680 segment has been exposed to fairly heavy truck traffic. A review of the I-580 segment which has been exposed to a comparatively high volume of passenger vehicles and light trucks reveals only very minor deterioration, whereas the I-680 segment reveals significant deterioration and has required costly rehabilitation work.

A review of the pavement condition on California's first freeway, the "Arroyo Seco Parkway" (now the Route 11 Pasadena Freeway) which was constructed in 1939 between downtown Los Angeles and South Pasadena is a clear testimony to pavement performance without trucks. This six-lane facility, which incorporates asphalt pavement in the interior lane and concrete in the center and exterior lanes, has required only minor pavement rehabilitation in its 44 year life. Most other asphalt pavements which are exposed to trucks would have required major maintenance or rehabilitation three or more times in that period. Most concrete pavements exposed to trucks for that time period would have required significant maintenance or rehabilitation.

Implementation of the 1982 Surface Transportation Assistance Act poses some significant concerns relative to potential increases in pavement and bridge damage by heavy trucks. Even though the gross, axle and bridge formula loadings have not been increased, the concerns persist. The fact of life is that permissible increases in length and width mean there will soon be higher average axle loads, even though they may still be within legal limits. Increased volume of hauling space in a given vehicle means increased volume and weight of goods carried. These increases will undoubtedly result in increased pavement and bridge damage. This will be especially critical where the larger trucks travel on weaker pavements and bridges off the interstate, including State, county and city highways and streets.

PROPOSED ALTERNATIVES

The following observations are presented on the options proposed in the working paper:

Option 1 - eliminates the existing heavy truck use tax with no offsetting revenue source and so reduces Federal revenues by nearly $1 billion.

Option 2 - eliminates the existing heavy truck use tax and increases the diesel tax by 7 cents a gallon. This would maintain the existing revenue level, but would shift the tax burden to operators of lower weight vehicles who are already overpaying relative to their cost responsibilities.

Option 3 - reduces the existing heavy truck use tax, increases the diesel tax and exempts light (under 10,000 pounds) vehicles. This option would result in lower tax payment to cost responsibility ratios for operators of heavy trucks. Heavy trucks currently underpay relative to their cost responsibilities, and this option would result in greater underpayment and even less equity among the vehicle fleet.

Option 4 - same as Option 3 but also exempts vehicles traveling less than 20,000 miles a year. This would also result in a greater degree of underpayment by heavy vehicles and overpayment by lighter ones.

Option 5 - raises the existing heavy vehicle use tax and prorates it based on mileage of individual trucks. This option requires a means of verifying mileage of individual trucks and the establishment of a mileage base for each vehicle weight group.

Option 6 - eliminates the use tax and graduates the diesel tax by weight groups for vehicles over 33,000 pounds. This option would result in high rates because vehicles under 33,000 pounds would not be paying this tax. In relation to other options, Options 5 and 6 are only crude approximations of a weight distance tax. Option 6 would be difficult to administer.

Option 7 - establishes a weight-distance tax and eliminates the heavy truck use tax.

Option 8 - establishes a weight-distance tax and eliminates the heavy use, sales and tire taxes.

Both Options 7 and 8, as proposed, could provide a much higher degree of equity in terms of matching the truck use taxes to cost responsibilities of various vehicle categories. Both methods could significantly reduce the current situation in which lighter weight trucks subsidize operation of the heavier vehicles. Option 8 appears to be the more equitable since sales and tire taxes do not relate closely to relative highway cost imposed by vehicles of different operating weights. However, the fees under Option 8 would have to be somewhat higher than those under Option 7 to compensate for the revenue lost by elimination of the sales and tire taxes. Also, as the experience in several states has shown, a weight distance tax is administratively feasible.

Option 9 - establishes an axle weight distance tax and eliminates the heavy truck use tax. Under this proposal, the tax would be based on distance and axle weight rather than gross weight. Since axle weight rather than gross weight is directly responsible for highway damage, and there can be significant differences in axle loads among trucks of the same gross weight, this type of tax would be more equitable than even Options 7 and 8, as well as the other alternatives. In addition, it might act as an incentive for operators to use configurations that reduce axle weights (i.e., trucks with more axles). However, a tax based upon axle configurations could require more documentation, record keeping and schedules to implement. Therefore, problems with administering the tax may be a factor. However, with the use of modern computerized record keeping, such problems may be manageable.

Options 7, 8 and 9 appear to have the potential to achieve the Federal government's goal of equity in terms of equaling individual tax payments with highway cost responsibilities and so reducing subsidies within the vehicle fleet. Further, since the population of the heaviest trucks is rising faster than any other vehicle category, a tax alternative which ensures these vehicles pay in relation to their responsibility is important to the revenue needs of State and Federal highway programs. This is a significant consideration given the high priority of the Department's maintenance and rehabilitation program. Options 1 through 6 are less acceptable in terms of their ability to achieve the stated goals because they would result in a lower degree of equity than now exists or reduce highway revenue and so adversely affect our programs.

AASHTO STUDY

The American Association of State Highway and Transportation Officials has embarked on a major, six-month study of truck taxation, registration and related issues, which in several respects will parallel the Treasury-Transportation study. Further, AASHTO is part of a coalition of state agencies organized under the National Governors' Association and will attempt to develop a coordinated state position on many of the issues involved regarding motor truck taxation and registration. California is participating in the AASHTO study, which is scheduled for completion in December 1983.

RECOMMENDATIONS

1. An alternative should be included that taxes all major categories of vehicles in direct relation to their cost responsibility. It may be possible to achieve this equity by adjusting the hypothetical tax rates in the working paper.

2. Another draft of the study should be made available for comment prior to finalizing it. At that time, we would expect to have additional information from the AASHTO study and should be able to make more specific recommendations.

STATE OF NEW YORK
DEPARTMENT OF TRANSPORTATION
ALBANY, N.Y. 12232

JAMES L. LAROCCA
COMMISSIONER

AUG 29 1983

Honorable Steve Symms
United States Senate
Committee on Environment and Public Works
4204 Dirksen Building
Washington, D.C. 20510

Dear Senator Symms:

We regret that we were unable to attend the Senate Transportation Subcommittee's recent hearings in Idaho and express the New York State Department of Transportation's concerns relative to various aspects of the recently enacted legislation relating to Federally mandated increases in truck size.

Certain provisions of the Surface Transportation Assistance Act of 1982 will cause severe safety problems in New York City and elsewhere in the State. The attached testimony, which we are submitting for the record, outlines these problems and describes mitigating legislation proposed by Senator Moynihan and Congresswoman Ferraro which we strongly support.

Thank you for the opportunity to provide this testimony for the record of your Subcommittee.

Kind regards.

Sincerely,

James L. Larocca
Commissioner

cc: Francis B. Francois, Executive Director AASHTO

STATEMENT OF
NEW YORK STATE DEPARTMENT OF TRANSPORTATION
RELATING TO
FEDERALLY MANDATED INCREASES IN TRUCK SIZE

Section 411 (c) of the Surface Transportation Assistance Act of 1982 (STAA) states, in part, that "no State shall prohibit commercial motor vehicle combinations consisting of a truck tractor and two trailing units on any segment of ... Interstate and Defense highways". Most segments of the Interstate and Defense highway system have been designed and built to modern standards which will safely accommodate the longer and wider (Section 416) vehicle combinations allowed by the STAA.

However, the "Interstate system" in New York City is unlike that of virtually any other urban area. Much of the system is made up of pre-Interstate era roadways, many dating back to the 1930's, which have been linked together for the purpose of route continuity.

Many segments of these "designated Interstate" highways are inadequate by current Interstate design standards. These standards dictate minimum lane widths of 12 feet, but portions of New York City's Interstate highways contain lane widths of only 10 or 11 feet. Current Interstate standards require that 1000 foot long acceleration lanes and 400 foot long deceleration lanes be provided. Almost all of New York City's Interstate highways have substandard acceleration and deceleration lanes with many locations having no acceleration or deceleration lanes at all. Current Interstate standards dictate a usable width of 10 feet for highway shoulders, however, 52 percent of New York City's Interstate roadways have either substandard shoulders or no shoulders at all. Curve radii frequently do not meet modern standards and overhead clearances are often posted below 13 feet 6 inches. Excessive grades which cause a 15 MPH or greater reduction in the speed of loaded trucks frequently exist on New York City Interstate highways.

Traffic volumes on many segments of Interstate highways in New York City range from 100,000 to 150,000 vehicles per day. These extremely high traffic volumes, coupled with close interchange spacing, produce frequent and hazardous lane change maneuvers which can only be exacerbated by the larger dimension trucks allowed by the STAA.

The New York State Department of Transportation and the City of New York have requested the Secretary of Transportation to exempt New York City Interstate highways from use by the larger dimension trucks allowed by the 1982 STAA. We have been advised by the Department of Transportation that Section 411 of the 1982 STAA explicitly imposes the new length and tandem trailer provisions on all Interstate routes. As the Act is currently written, it would appear that no mechanism has been provided for exempting substandard segments of the Interstate highway system.

Senator Moynihan has introduced a bill (S1048) which would address the need to exclude substandard segments of the Interstate system from the requirements of the 1982 STAA. Congresswoman Ferraro has also introduced a bill (HR2530) which addresses this problem. The New York State Department of Transportation recommended the language in S1048, but also strongly supports the Ferraro bill.

We urge your sub-committee to favorably consider a technical amendment to the 1982 STAA to exempt those Interstate highway segments which have substandard design features that would create unacceptable safety levels if used by the longer and wider vehicles and combinations.

We are also concerned that the Federal Highway Administration is requiring New York State to allow 102 inch wide trucks on highways having less than 12 foot lane widths. Attached is a map showing the Interim Designated highways in New York that have substandard lane widths. We do not know if this is a problem only in New York or if it is nationwide. If it is a national problem, we would urge Congress to make its intent clear that the 102 inch wide trucks must be allowed only on highways having 12 foot wide lanes.

MIKE HUDDLESTON
Executive Director
GEORGE MORTON
President
RICHARD WRIGHT
Vice President
GARY BAKER
Secretary/Treasurer

ASPHALT PAVEMENT
ASSOCIATION OF OREGON

3747 Market Street, N.E. Salem, Oregon 97301
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August 29, 1983

The Honorable Steve Symms
Chairman of the Subcommittee on
Transportation of the Senate Committee
on Environment and Public Works
4204 Dirksen Building
Washington, D. C. 20510

Dear Senator Symms:

I was unable to attend your field hearing in Boise and Coeur d'Alene concerning the Surface Transportation Assistance Act of 1982. I would like to submit this written testimony, as I understand the docket is to be held open for 30 days.

First, let me congratulate you as the key sponsor of this Act. You did an excellent job and all highway users owe you a vote of thanks.

Second, let me say that the Board of Directors of the Asphalt Pavement Association, at a regularly scheduled Board meeting held Friday, August 19, 1983, voted unanimously to authorize this letter. Our Association is a statewide association representing the asphalt plant owners in Oregon, each who owns from 5 to 50 trucks, and our associate members are also owners of truck fleets.

Our major concern is that our industry is very seasonal. In fact, all the northern states are seasonal as far as paving is concerned. We feel definitely that the user should pay in direct proportion to the amount of use of the highways. The flat fee provision of the STAA does not appear to be equitable from that standpoint. For example, an 80,000# truck will pay a truck use fee of $1600.00 in 1984-85. Now, if you use the truck 12 months out of the year and drive, say, 60,000 miles a year, your monthly cost would be $133.33 per month or 2.7¢ per mile. Now let's take an asphalt truck that operates four months out of the year and travels 15,000 miles. The monthly cost is $400.00 and per mile cost is 10.6¢ per mile. The seasonal trucker does less damage to the highway (as he operates in summer conditions).

PAVING THE WAY WITH SMOOTH, SAFE DURABLE SURFACE

BOARD OF DIRECTORS: Doug Austin, Tom Cowgill, Pat Dean, Ray Duerden, Francis Lulay, Ex Officio - Alan Hay

The trucker uses the highway less and yet would pay a higher monthly and/or per mile fee than the year-round hauler. This impact to his cost would be great, and if the trucker attempted to pass it through, the impact to the public would be great. We feel a more equitable method would be to eliminate the Truck Use Fee and spread the cost out over the other items such as diesel, gasoline, lubricating oil, inner tubes, tires and tread rubber. All of these are true indicators of the use of the highways.

We thank you for the opportunity to be heard and we are sure you will give every consideration to clearing up an inequitable situation and still provide the necessary funds to make the STAA the viable highway bill that you intended it to be.

Very truly yours,

Mike Huddleston

Mike Huddleston, P. E.
Executive Director

MH/jh

Suite 322
10700 S. W. Beaverton Hwy.
Beaverton, Oregon 97005

The Honorable Steve Symms
United States Senator
United States Senate
Washington, D.C. 20510

AUG 23 1983

Dear Senator Symms:

Thank you for your invitation to attend the field hearings in Coeur d'Alene and Boise, Idaho. I attended the 1981 hearings in Seattle as a spokesman for the Oregon Highway Users Conference.

I am sorry I cannot attend the hearings in Boise and I can no longer speak for the Oregon Highway Users.

As a concerned citizen with some knowledge of highway design and a great concern for highway safety, I would nevertheless like to express my views regarding certain aspects of the Surface Transportation Assistance Act.

As long as private automobiles and commercial trucks are sharing in the use and cost of our highway facilities, my first concern has to be for safety.

As trucks become longer, heavier and bulkier their potential destructive force increases.

The volume of air and/or water that long trucking rigs displace as they move at high speeds is a severe hazard to the small passenger cars of today. On wet or rainy days, in addition to being buffeted by air turbulence, the small car driver can be effectively blinded for 10 seconds or more because of the curtain of water that is thrown on his windshield. In my opinion, the trucking industry has given only lip service to efforts to overcome or correct the excessive splash or spray from trucks and longer trucks simply compound the problem.

As far as cost responsibility is concerned, the recently completed AASHTO study is a step in the right direction. We don't design highways or bridges for automobiles, we design them for truck loadings only. You will find many highway departments today rebuilding and renovating truck lanes of the primary and interstate system alongside passing or passenger car lanes that are still in mint condition.

Increasing allowable axle loads has had a seriously damaging effect on pavements. An 11% increase in axle weights can result in a 50% increase in the stresses imparted to the pavement.

Please let us heed and implement the cost responsibility as developed in the AASHTO study.

I recognize that immediate full implementation would be disastrous to the trucking industry so they must be phased in but in the shortest time frame possible. As we all know, the full cost will ultimately be borne by the consumer in any case. And if full implementation of these user charges ultimately makes it more economical to use railroads for long distance heavy hauling, I would believe we had reached a better balance in our transportation network.

Thank you,

Gus Beuker

GJB:bas

G. J. Beuker Jr.

Livestock Transportation
Western States

Steven Campbell, Inc., dba
CAMPBELL TRANSPORTATION
TELEPHONE 208/459-0821 • ROUTE 3, BOX 180
CALDWELL, IDAHO 83605

AUG 22 3 15 PM '83

August 15, 1983

Honorable Steve Symms
United States Senate
125 Russell Office Building
Washington, D. C. 20510

Dear Steve:

Re: Transportation Subcommittee
STAA field hearings

Attached is copy of an editorial from the July, 1983 issue of "DES" (Diesel Equipment Superintendent).

This very clearly expresses my sentiments in regard to the Surface Transportation Assistance Act of 1982 with it's unrealistic taxing on heavy vehicles.

I am sorry that I will be unable to attend your Transportation field hearing in Boise on August 22nd. Please keep in mind my feelings regarding the taxing on the trucking industry.

Yours truly,

CAMPBELL TRANSPORTATION

Steve Campbell

Steve Campbell

SC/a

Enc. - 1

EDITORIAL

FREE LUNCHES AND GOLDEN EGGS

If there is anything that poses a more serious threat to the future of the trucking industry than the Surface Transportation Assistance Act of 1982, it is the industry's own inability to organize an effective effort to defend itself. Various STAA alternatives are being discussed, but very little is being said or done to undo the damage that has already been done in terms of fixing the responsibility for highway wear and tear.

Worst of all, there seems to be a growing acceptance of the idea that the stiff penalties imposed on heavy trucks by the STAA can be offset by the greatly improved efficiencies of new equipment. Part of this problem, no doubt, is due to the fact that there has probably never been a time when the trade press has been so full of articles about the money-making potential of newly designed vehicles. In this issue alone, for example, both Ford and Volvo White are announcing new trucks and tractors capable of cutting annual fuel costs by as much as $2,000 or more per unit.

It so happens, of course, that over and above all previous registration fees and taxes, $2,000 is about the same amount of money that the framers of the STAA think each heavy truck should contribute to the highway rehabilitation fund. If truckers can pay for rebuilding the highways by operating more efficiently, who says there is no such thing as a free lunch? In addition to being an almost perfectly painless way of financing the necessary repairs, most everyone probably thinks it was the trucks that tore up the roads in the first place. What could be more fitting than to use their fuel savings to pay for the reconstruction?

Unfortunately, whether the $2,000 comes out of savings or profits, each shipment must bear some part of the added cost. Each loaf of bread, each gallon of gas, each stick of furniture is therefore going to cost a little something extra. The lunch isn't really free — the bill just comes in very small portions.

Furthermore, it is not solely the trucks' fault that our highways are disintegrating. The Interstates, for example, were designed for a 20-year life, and many of them are now going on 30. Maintenance has not kept pace with the wear-out rate, and all of a sudden we have a crisis on our hands. However, as has been proven in the case of parkways and other non-truck arteries, much of this decay would have taken place even if trucks had never been permitted to use the Interstates.

Until we have a precise method for figuring each vehicle's share of a highway's cost, it might be argued that trucks would be better off paying for the whole system. It would then be understood that everybody else would be riding for free, and that highway funds could be used for no other purpose. Maybe, as we say, that might be better than piling on higher and higher fees and taxes with some of the proceeds going for other governmental functions. It's not bad enough that the federal government is putting such a heavy toll on truck operations — most of the states are beginning to follow suit. Adding insult to injury, no matter how rapidly these assessments increase, it is nonetheless widely believed that trucks are still paying only a small part of their fair share of highway costs.

America's trucks are doing a tremendous job of hauling America's freight, but there is no way in the world they can carry the entire U.S. economy. Let's hope we all begin to realize these limitations before somebody goes ahead and kills the goose that's been laying all of these golden eggs.

028221

Idaho Motor Transport Association
AREA CODE 208 DIAL 342-3521
SUITE #8 IMPERIAL PLAZA • 200 NO. 3RD ST • P.O. BOX 550 • BOISE, IDAHO 83701

SEP 7 5 17 PM '83

September 1, 1983

Senator Steven D. Symms
U.S. Senate
452 Russell Building
Washington, DC 20512

Dear Senator:

Enclosed herewith is a copy of a Resolution proposed and adopted by the membership convened at the annual membership meeting of the Idaho Motor Transport Association in Coeur d'Alene, Idaho, August 24-26, 1983.

Your support as a co-sponsor and efforts toward early enactment of S-1475 is imperative.

Sincerely,

Claude

Claude E. Abel
Managing Director

CEA/sfc
enclosure

cc: Brad Littlefield, IMTA President
Bennett Whitlock, Jr., ATA
J.R. Halladay, ATA
George Mead, ATA
Bob Kafka, IMTA Legisl. Comm. Chmn.

AFFILIATE
Ship by truck . . . travel by bus

RESOLUTION by members of Idaho Motor Transport Association:

WHEREAS, the Surface Transportation Assistance Act, passed by Congress during the "Lame Duck" session of 1982, sought to fund highway construction costs; and,

WHEREAS, in so doing levied excessive and burdensome taxes on the trucking industry of the United States; and,

WHEREAS, the same Surface Transportation Assistance Act also contained size and weight provisions beneficial to the trucking industry and particularly beneficial to the shippers served by the trucking industry; and,

WHEREAS, since passage of the Surface Transportation Assistance Act (STAA) the attention of the Congress and particlarly the U.S. Senate has been directed to the inequities in the Surface Transportation Assistance Act of 1982 through the efforts of the industry and particularly through hearings recently completed by Idaho's Junior Senator, Steve Symms; and,

WHEREAS, through Senator Symms' efforts the attention of the media has been directed to the inequities of the STAA, thereby creating favorable public support for changes in the tax sections of the act; and,

WHEREAS, there has been introuduced and is now under consideration in the U.S. Senate a bill, S-1475, which will provide needed relief to the trucking industry;

NOW,THEREFORE, be it resolved by members of the Idaho Motor Transport Association gathered for their 49th Annual Convention in Coeur d'Alene, Idaho, that Idaho Senators James McClure and Steve Symms be urged to join as co-sponsors of S-1475 and to work for its early enactment; and,

THEREFORE, BE IT FURTHER RESOLVED that members of the trucking industry and those they serve be directed to the efforts of its Senators and that every person and firm be urged to support our Senators in their efforts to correct the tax inequities in the Surface Transportation Assistance Act of 1982.

APPROVED AND ADOPTED by members of the Idaho Motor Transport Association during their 49th Annual Convention at Coeur d'Alene, Idaho, August 26, 1983.

SIGNED: R.G. Carter, President
Idaho Motor Transport Association

R.G. Carter

ARLO G. LOTT
TRUCKING CO.

September 13, 1983

SEP 20 4 24 PM '83

Senator Steve Symms
452 Russell Building
Washington, D.C. 20512

Honorable Senator Symms:

I am writing in regards to the affects of the 1982 Surface Transportation Assistance Act. I understand you recently have held hearings in Boise and Coeur d'Alene at which time testimony was heard from various Motor Carrier people. I wish the distance would have allowed us to attend but because we were unable to it is my hope you can take a few minutes to read my letter.

The increased tax will prove devastating to our Industry. As a truck owner operating 18 trucks in this state, I can see no way we can continue in business under such a staggering tax. We are finding most every state has increased their fuel taxes to add to the .05 cent increase in April plus the added costs on excise taxes. This is only adding more and more to the burden of an already overtaxed Industry. It is already taking its toll as weekly we hear of fellow truckers who can no longer hold on.

As I understand, there has been an alternate proposal introduced that would replace the STAA with a diesel tax differential. Even though this would still be an increase to our costs, it would seem to be more fairly distributed among those traveling on the highways. It could also be a pay-as-you-go tax instead of an overwhelming amount paid at one time. This will most certainly mean the difference between staying in business and not for many of us. This way those operating the most miles could rightfully be paying the most tax. It would seem that this would also allow us to learn to live with the added tax where otherwise we couldn't.

According to estimates that have been made as to the revenue that would be gained from one tax versus the other, I understand it would be very nearly the same.

I certainly hope you will take the time to study out the merit of the proposed differential tax. As a very important part of Idaho and its future the Trucking Industry is desperately in need of your support in favor of the diesel tax differential.

Highest regards,

Arlo G. Lott

ARLO G. LOTT

AGL/k

P.O. BOX 174 • ARCO, IDAHO 83213 TELEPHONE: (208) 527-8976

Montana Automobile Association

STATE HEADQUARTERS OFFICES: P.O. BOX 4129
607 N. LAMBORN / HELENA, MONTANA 59601
PHONE 442-5820

August 19, 1983

Honorable Steve Symms
United States Senator
4204 Dirksen Building
Washington D.C. 20510

Dear Senator Symms:

Thank you for your invitation to provide testimony concerning further tax impact of the STAA on commerical carriers and the effect of increased truck sizes and weights on the condition of roads and bridges.

Although I am unable to personally attend your field hearings planned for August 22nd and 23rd, I am sending you written testimony for the record.

If you wish further input on these or related issues, we would be delighted to cooperate either directly from us or our national office in Falls Church, Virginia.

Attached is our statement.

Sincerely,

MONTANA AUTOMOBILE ASSOCIATION

Larry A. Tobiason
President

LAT:rmj

Branch Offices:

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116 FIRST AVE. WEST (59901)
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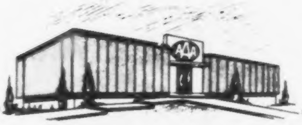
Montana Automobile Association



STATE HEADQUARTERS OFFICES: P.O. BOX 4129
807 N. LAMBORN / HELENA, MONTANA 59601
PHONE 442-5920

TO: Senator Symms
4204 Dirksen Building
Washing, D.C. 20510

COMMENTS

RE: Surface Transportation Assistance Act of 1982
Effect of increased truck sizes and weights
Further tax proposals

BY: Larry A. Tobiason
President
Montana Automobile Association
P.O. Box 4129
Helena, Montana 59601

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PHONE 755-5511

The Montana Automobile Association is submitting this written testimony on the issues of the Surface Transportation Assistance Act of 1982 (STAA) concerning the effect of increased truck sizes and weights on the condition of roads and bridges and further tax proposals.

We believe that large trucks should never be allowed to use roads for which they were not designed, regardless of the alleged economic justification. Safety must always take precedence over the concerns of commerce.

The safety implications of these longer, wider and heavier combination trucks traveling through our urban areas are potentially staggering, particularly as to the STAA requirement of "reasonable access" to food, fuel, rest, repairs, and terminals for commercial motor vehicles using the Interstate System. If urban Interstates are opened to the larger trucks mandated by the STAA, at least some of these trucks will begin operating in the downtown areas of our major cities on roads for which they were never designed, roads which almost everyone would agree cannot safely accommodate them.

INTERSTATE SYSTEM

We further believe that the Interstate Highway mileage which is unsafe for the larger truck combinations mandated by the STAA should be exempted from the truck preemption provisions of the STAA.

Larger trucks permitted as a consequence of the STAA can probably be accommodated with relative safety on most rural Interstate mileage except for those segments where only two-lanes exist. In our state of Montana, there are many miles of rural Interstate that still remain two-lane. Some of these miles exist in mountainous areas which are treacherous even in good weather conditions. To allow access to these larger trucks would cause grave danger to the motorist. We believe that restrictions should be placed on their use in these areas. States and local government officials should have the determining voice in selection of appropriate routes. They are the individuals most intimately familiar with local conditions which would permit or restrict the operation of these larger units.

The objective should be a safe highway system for all users in addition to the needs of commerce.

TRUCK TAXATION METHODS

Virtually all cost responsibility studies agree that two major determinants of highway costs are gross vehicle weight and distance traveled.

The costs associated with building roads and bridges to carry heavy truck traffic are higher than for building them to carry automobiles and other light vehicles. Moreover, the wear and tear on roads and bridges increases as vehicles weights and sizes increase.

It has become increasingly apparent in recent years that neither fuel taxes nor vehicle registration fees adequately reflect the cost responsibilities of vehicles having different sizes and weights. What is needed is a tax that is based on vehicle weight and the distance traveled, MAA believes. This is the only way that heavy motor vehicles can be equitably charged for their highway cost responsibilities.

A weight distance tax, more than any other taxing method, can ensure that heavy vehicles pay their fair share of highway costs.

In an effort to discourage state legislatures from enacting weight-distance taxes, the trucking industry equates them with ton-mile taxes, which require detailed record keeping and are expensive to administer. This is a technique that the trucking industry has used for years with considerable success.

Weight-distance taxes should never be equated with ton-mile taxes, because they are different types of taxes.

WEIGHT-DISTANCE TAX - is a mileage tax that is assessed on each mile a truck travels, with the rate based on a truck's registered gross vehicle weight.

TON-MILE TAX - is a mileage tax that is based on the actual loaded or empty weight of a truck for each trip it makes.

The ton-mile tax involves a lot of record keeping because truckers must report both the mileage and actual weight for each trip. A weight-distance tax does not require as much record keeping because under this system, a truck is registered for a particular gross weight and the tax is assessed for each mile the truck operates in the state.

Many states already register vehicles by weight, and the trucking industry already keeps mileage records for such things as fuel tax reporting and driver compensation. More than half of the states also participate in the International Registration Plan (I.R.P.) under which interstate trucking operators report mileage and the states process these reports for determining pro rata shares of registration fees.

DIESEL TAX INCREASE Some legislation has already been introduced which would increase the federal tax on diesel fuel and reduce or rescind the heavy vehicle use tax.

We believe that replacing the use tax with an equal amount of revenue would require diesel fuel tax increase of seven cents a gallon with rebates to all vehicles under 26,000 pounds. By 1989 it would require an additional one-cent per gallon tax to replace the added user taxes that are to go into effect then. This means the total diesel fuel tax on heavy trucks would need to be 16 cents per gallon in 1985 and 17 cents in 1989 -- a far cry from the proposed legislation of 3 cents.

It must be remembered that fuel consumption is a poor surrogate for determining equitable tax payments occasioned by heavy trucks. Replacing a tax on weight with a tax on motor fuel would increase the impact of distance traveled by the heavy vehicles but would decrease or eliminate the impact of the weight factor.

We also believe that merely increasing the diesel fuel tax could shift the bulk of the tax burden to trucks under 70,000 pounds, causing them to bear more than their share of cost responsibility.

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CCI
PORT OF TWIN FALLS, INC.
OPERATED BY CAMPBELL COMPANY OF IDAHO
P.O. BOX 1883 • TWIN FALLS, IDAHO 83301 • 208-734-0943

SEP 15 3 59 PM '83 September 9, 1983

Senator Steve Symms
Chairman of Sub Committee on Transportation
410 Dirkson Office Building
Washington, D.C. 20510

Re: Surface Transportation Act

Dear Senator:

$1,600.00 per truck "use tax" will be the final tug on the drain plug which will send the small trucking businesses "down the drain". We operate 14 tractors hauling food products in export containers to the ports of Portland and Seattle. Our mileage is quite low in comparison with most trucking operations. The additional $22,000 added cost would kill us.

An added-on tax on diesel fuel would be an alternative I think we might be able to live with, or we would die much more slowly.

My sons and I, and our key people have put in sixteen hour days and seven day weeks for three years to develope the "export" business - we started with two trucks and a prayer, and a commitment to serve our customers for a fair fee. We have no "cushion" in our tariff to allow us to absorb this kind of additional cost per truck. We would have to add this cost to the exporting shipper, who in turn would have to increase their product price to the foreign buyers. At this point in time, it is more than likely that most of our shippers would lose a huge share of the foreign market, which they now enjoy, to other countries.

Respectfully yours,

John B. Campbell

John Campbell
Chairman of the Board

IN-STATE WATTS
800-632-0840

OUT-STATE WATTS
800-635-0881

Gordon Tate
Star Route
Coeur d'Alene, Idaho

SEP 15

Statement for Hearing on Revision of 1982 Highway Bill

Senator Symms:

Thank you for the opportunity to testify on the effects of last year's hiway bill, STAA. I am speaking on behalf of myself and the Idaho State Grange.

The increases in fees with the fuel taxes will create a hardship especially for many independent operators, who have little opportunity to pass the increase on because of the keen competition. As a farmer, we will have increased costs of fuel, fertilizer, and equipment, while our higher marketing costs will reduce the net return for our farm crops and livestock. Our farm product hauls are all one-way empty. It appears the logging industry will be especially hard hit.

Increased truck sizes and weights have little effect in North Idaho, where few roads are suitable or good enough to stand this type of load. Few operators will be able to use them.

Several serious accidents with tanker trailers have occurred, resulting in very serious environmental damage as well as economic losses. These larger trailer outfits present grave safety hazards on these roads and sometimes on the freeways. Recently there was an accident of this type on the 4th. of July Canyon on I90. There was also the accident involving a triple-trailer on I84 in which 4 people were killed and nearly 50 injured.

The highway problem in Idaho is not funding, but how the funds are spent. We could save a great deal on highway construction in Idaho, and reduce these fees and fuel taxes for our truck operators.

Some examples of excess spending in recent years include:

1. Over $4million for a 1.75 mile interchange at the top of Lewiston Hill on hiway 95.
2. Nearly $4million for 2 miles just south of Coeur d'Alene, under construction for the last two years. Such a mess is almost beyond comprehension--ask anyone who drives this road constantly.

They have ruined a beautiful lakeshore drive, and taken most of the lakeview property to replace a road that seldom broke up or required excessive repair. The curves on this road were negotiated constantly by chip trucks at 50 to 55 mph.

page 2. Statement for Hearing on Revision of 1982 Hiway Bill

Gordon Tate
Star Route
Coeur d'Alene, Idaho

The construction has also covered up over 10A. of the best wetland on the west side of Lake Coeur d'Alene. This was wildlife habitat for many ducks, swan, and other waterfowl as well as muskrats and beaver.

3. Expensive detour built while re-surfacing one lane of I84 west of Mountain Home.

While these massive projects go on, the Horseshoe Bend hill has remained the goat trail referred to by former Governor Cecil Andrus. It has been nearly impassable for heavy trucks and busses some of the last year and a half, and has been a disgrace to the state of Idaho for more than 20 years. This stretch of road is the very life-blood for the businesses and commerce of Horseshoe Bend, Cascade and McCall and in addition is one of the most heavily travelled by recreation vehicles in the state.

In sharp contrast to this wasteful spending are some fine, inexpensive projects which show what can be done with much less expense..

In the early 1950's on hiway 95 for about 12 miles from Worley north to Mud Bay, crushed rock and a 3 inch mat completely rejuvenated a road that nearly became impassable every spring. It is still in excellent condition. A similar project south of Riggins completely changed a mediocre road.

Many of the hiways in Idaho could be made very respectable and durable with just a good surface which they never had. We do not need the super-duper construction waste that is going on. There seems to be a great desire to make every project a park barrel job, usually requiring additional funds to finish it up.

It would appear that the increase in fuel tax would provide more than adequate funding without other use fees. The fuel tax reflects not only the miles travelled, but also the weights being hauled. No other tax or fee reflects it so simply and fairly. While some states may reject this basis because of prevalent fuelling stops, this objection does not apply to the federal program. It may be necessary to apply fuel differential to properly reflect different types of this, but this should be carefully done so it will not be excessive.

The federal 55mph speed limit is a detriment to trucking and our economy, and should be abolished. Many trucks disregard it and travel 65-70 as they have found it more economical to do so. This makes a great deal of passing of those other vehicles which prefer to be law-abiding. Many cars and trucks operate better and even more economically at the higher speeds.

page 3. Statement for Hearing on Revision of 1982 Hiway Bill

Gordon Tate
Star Route
Coeur d'Alene, Idaho

We have found that in driving through other states such as Montana and Nevada where most everyone drives faster, we get better mileage than we do at 55.

The safety of the 55 mph is very much in doubt, as about 55% of the fatal accidents are alcohol-related. For years many stretches of Idaho roads had 70 mph speed limits. The state is in a much better position to determine speed limits than a far-removed and eastern-dominated U.S. Congress.

TRANSYSTEMS
INC.

September 21, 1983

The Honorable Steve Symms
United States Senate
Committee on Environment
  and Public Works
Washington, D.C. 20510

Dear Senator Symms:

I recently have received a great deal of correspondence from Claude Abel, Director of the Idaho Motor Transport Association regarding your recent hearings and Boise and Coeur d'Alene regarding the effects of the Surface Transportation Assistance Act of 1982. Unfortunately I was unable to attend those hearings, but would like to take this opportunity to offer a few comments.

I am the president of a second generation, family owned trucking company that has operated in the Pacific Northwest since the early 1940's. Although not a large company, I believe we are perceived by most in the industry to be leaders in our segment of the industry. Our company operates in both the regulated and exempt sectors of the trucking business. We also operate a commercial truck shop which gives us an unusual opportunity to view the conditions of a very broad spectrum of the industry.

For many years I have been an officer of the Montana Motor Carrier Association, the American Trucking Association, and the Western Highway Institute. In addition, I chaired the trucking subcommittee of the Governor's Transportation Advisory Counsel in Montana. Because of this experience, I believe I am more than a casual observer of our industry.

To comment on the effects of the STAA without reference to the circumstances of the trucking operators for the year or two preceding passage of the Act, would make comments on the Act irrelevant since they would be so far out of context.

I believe that three points should be made regarding the pre-STAA circumstances of the motor carrier industry.

1. The recession has had a more serious effect on the trucking industry than most other industries. Although there was reduced production by factories, many of them continued to produce into their factory inventory while the sellers of their products sold from

1627 Third Street N.W./Great Falls/Montana/(406) 727-7500
Mailing Address: P.O. Box 399/Black Eagle/Montana 59414

their store inventories. The result to the trucker was that no product moved between the manufacturer and seller.

2. The very rapid deregulation of the industry by the Interstate Commerce Commission during the period of the recession increased the number of carriers from 17,000 to 27,000 and caused a write-off of the operating authorities which were in many cases a large portion of the equity of the company and pledged as collateral against many loans.

3. Because of the heavy dependence on petroleum, the trucking industry has been hit by an inflation factor that exceeds that of most industries.

These three items occurring prior to the enactment of the STAA have left our industry with 1) dramatically reduced revenues, 2) major operating losses, 3) nearly total depletion of both working funds and financial capacity, 4) financial inability to replace equipment, 5) continued operation of deteriorated equipment due to inadequate maintenance and inability to replace. and 6) reduction in monies available for wages and subcontractor payments.

Perhaps in a strong, healthy condition the industry could have absorbed at lease some major portion of the expense of the STAA, however, against the current background the ramifications of the STAA are serious, if not terminal. With the survivability of our patient already in question, we now have the STAA asking for more blood.

Your Committee addressed five areas of interest to the Idaho Motor Transport Association. They were:

1. The impact of the tax structure implemented by the STAA on the trucking industry. I believe that impact is -

    a) a major drain on the working capital and equity of an already devastated industry. This has been demonstrated through every analysis of our industry by the financial institutions for nearly two years.

    b) extended use of deteriorated trucks,

    c) the use of more independent owner/operators and fewer drivers of company-owned equipment,

    d) the use of vehicles with a design capacity that is too light for the application in which they will be used,

    e) a long-term increase in freight rates on truck transportation - this increase will also allow rail rates to increase by a similar amount,

    f) disproportionately increased transportation costs for the 60% of the U.S. communities that have no alternative to truck transportation,

g) a competitive disadvantage for inland port facilities that depend on long-haul trucks to serve their needs since they will be bypassed by rails who prefer the longer haul to the seacoast ports,

h) a windfall for the railroads both from the standpoint of increased rates and increased volume of piggyback traffic, and

i) in the long term, substantially increased use taxes to the automobile driver who will be required to absorb nearly all highway costs as more trucks are diverted to piggyback.

2. "Productivity gains experienced by the trucking industry as a result of the increased truck size and weight provisions in the STAA." I believe that -

   a) short haul truck traffic passing through the only three states that were not up to the five-axle, eighty-thousand pound limit should enjoy a slightly lower freight rate, ultimately most long haul will be piggyback,

   b) the shippers and carriers of lightweight commodities and general freight in 17 eastern states should see an economic benefit on their traffic,

   c) the STAA provided no economic benefit to most of the states and no benefit to any of the states in the western U.S.,

   d) shippers of high density and truckload lots such as grain, timber and natural resources received no benefit.

3. "Legislative proposals introduced by members of the House and Senate which would alter the tax structure in the STAA".

I believe that of the various bills that have been introduced, two in particular, S1475 and HR2124 are the bills which will most likely receive the most attention. The intent of these bills is to entirely roll back the highway truck use tax and replace them with a cents per gallon fuel tax. The two obvious benefits to this approach are - a) the taxes would be paid on a pay-as-you-go basis rather than a very large lump sum at the beginning of the year, b) the costs are more equitably spread to the various vehicle classes rather than the grossly unfair distribution of the DOT's cost allocation study which used a highly irregular method and inaccurate, if not falsified, figures.

It is terribly unfortunate that the motor carrier industry has been forced to seek protection through legislation such as HR2124 and S1475 in an atmosphere of desperation. Like many other truckers in this country, I now find that I must support and urge the support of our entire delegation for those two bills. Not because they are technically correct, but because the very survival of our company depends on their immediate passage. The tragedy of course is that those of us who are vitally interested in the long-term future of our industry and technically qualified to address such issues were completely and totally cut out of our democratic process when HB6211 was considered in the lame duck session. I must concede that I have never been as frustrated in my life as during the week I spent in Washington, D.C. in an effort to protect my interests, and found that nearly universally the legislators voting on HB6211 not only did not know the contents of the bill, but were unable to find out during that star chamber process.

Even in the wake of the STAA devastation in their writing of the "Alternative Heavy Truck Use Tax Study", the DOT refused to even acknowledge, let alone answer, our questions regarding the errors, omission and falsifications in their studies. Instead the DOT continued its blatant efforts to again raise our taxes and deliver to rails a weight-distance tax on trucks.

4. "The effect of increased truck sizes and weights on the condition of roads and bridges and to what extent reasonable access should be permitted."

There should be absolutely no effect on conditions of roads and bridges under the new law since the new law required only three states to come up to the Federal standards which have been in existence for over ten years and allowed in many other states for periods well in excess of 10 years. It should be pointed out that the United States has perhaps the most backward size and weight laws than any nation in the world. One only needs to look to both our neighbors in the south and in the north for evidence of our very inefficient load limits. It is unfortunate indeed that the argument is perceived to be one of engineering and technology. It is not. It has been proven time and time again that highways on which the use of trucks is prohibited last only as long as those highways on which trucks are used. It has further been shown that those states which have a lower total vehicle combination weight than many, but much higher axle weights than those authorized by Federal law, but grandfathered into the Federal law, have no different highway costs than the majority of the states operating at the 20,000# single axle, 34,000# tandem axle and Table B bridge formula limits.

As an example, let me list a few of the major incongruities in what the enemies of our industry are trying to allege are technical and engineering arguments:

a) The Baltimore Washington Parkway, Garden State Parkway and Dulles Access Road prohibit trucks, yet have deteriorated as fast, if not faster than those that do.

b) Some of the most heavily traveled truck routes in the world have required little or no maintenance and lasted far beyond the 20 year design life. Examples are the New Jersey Turnpike, Route 128 near Boston, Interstate 20 and 30 in

Texas, Interstate 5 near Los Angeles, and Interstate 75 and 85 in Georgia.

c) The United States DOT officials have frequently stated that the highways have exceeded their design life and are wearing out on schedule.

d) There was no outcry by the anti truck forces during the many years prior to the adoption of the 80,000# overall limit by the east coast states during which time the axle limit far exceeded those in the federal law and western United States. Example: Federal law permits single axle 20,000# and tandem axle 34,000# (20,000/34,000), yet eastern states examples were - Florida 22,000/44,000, Vermont 23,520/36,000, New Hampshire 22,400/36,000, Maryland 22,400/40,000. These axle weights exceed the federal standards by 30% and have not destroyed the roads. It is only when vehicle combination weights were raised from 73,280 to 80,000 and the rails perceived a threat that the heavy truck issue was raised. Until that time no one saw a problem in weight limits.

The argument against more productive trucks is one of pure, unadulterated politics to pretend otherwise is to deceive the nation and insult those of us who have followed the process. Those of us who watched the activities in Washington were all too aware of the presence of the American Association of Railroads and American Automobile Association representatives, as well as the very heavy rail background of then Secretary of Transportation Drew Lewis. We were aware of the many front organizations of the railroads purporting to be citizens' groups.

We were also aware of the manner in which the truck sizes and weights and cost allocation studies were conducted in the Department of Transportation with a very heavy staffing bias in favor of the rail sector. The first on sizes and weights which showed that the sizes and weights that we currently operate are very efficient and that even an increase would benefit the overall economy of the nation.

The second study was the cost allocation study that totally distorted the AASTHO road tests of the early 60's and with full knowledge of the authors used fictitious numbers and questionable methods to allege a required increase in truck taxes on the select group of trucks that the DOT perceives to be competitive to rails. Our dismay was that the size and weight study, the study that showed that immense economic benefits could be obtained for the nation was completely submerged and that only one-half of the cost allocation study was used. The studies were distorted and ignored to suit the needs of the rail and highway construction lobbies and the political needs of some legislators at the expense of the taxpayer.

5. Only the preliminary report of the Department of Transportation on alternative tax structures has been released. But as one might

expect, it says that although the DOT will consider alternative tax structures, they cannot alter any of the principal points that are in the STAA and encourages even further tax increases over a weight distance tax that more states have rejected than the few states that use a weight distance tax.

The secretary of the DOT has already asked that action on the bills be delayed for the results of the study it is conducting, yet the DOT has already announced its intention of using these bills, desperately needed by our industry, to obtain a weight distance tax. It is interesting that the secretary now believes a delay is in order, yet during the lame duck session speed and secrecy were the order of the day. The DOT has refused to correct any of the mistakes that it has already made and I believe we will continue to see the trucking industry regulated according to the needs of the railroad if not the political fund raising requirements of the office of the Secretary of Transportation.

In closing, I would urge your Committee to take three actions:

1. Offer a broad spectrum of the industry an opportunity to offer public testimony with regard to legislation that is required to correct the STAA. Do not restrict that testimony to a few trade associations, or the input of the lobbyists of a few major motor carriers with a very narrow interest.

2. Conduct in your Committee a very serious investigation of the processes and procedures of the Department of Transportation that totally ignore the input of the industry, allow significant misrepresentation by the Department of Transportation and its secretary to the Congress of the United States, and finally, the ability of the nation's major railroads to use the facilities of the Department of Transportation to manipulate their competition.

3. Study very carefully the comments of the American Trucking Associations, Inc. on the "Working Paper of the Alternative Heavy Truck Use Tax Study", the comments are accurate and clearly point out the major errors in the cost allocation study and the distorted and preconceived conclusions of the DOT.

Very truly yours,

TRANSYSTEMS INC.

Mike Rice
President

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